

Chapter 4.

Social Enterprises, Institutional Capacity and Social Inclusion

by
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Over the course of the last decade social enterprises have come to play a key role in the management and delivery of social and labour market services in Europe. While much research has been devoted to documenting the rise of these institutions, their implications for contemporary debates about social inclusion remain elusive. In the first half of the chapter a framework which connects the unique institutional capacity of social enterprises as hybrid organisations to a growing concern for the welfare and well-being of marginalised service recipients is developed. More specifically, the model links two key dimensions of performance – social production and social mobilisation – to two forms of empowerment critical to the fight against social exclusion: consumer empowerment and civic empowerment. In the second half of the chapter this model is applied to an empirical analysis of Italian social co-operatives in two regions in northern Italy, Lombardia and Emilia Romagna. Based on the empirical findings, the key factors influencing social co-operatives’ ability to empower users is considered and, in light of relatively poor performance overall, potential means of improving their empowerment capacity in the future are suggested.

Introduction

Throughout Europe large-scale socio-economic changes associated with globalisation, urbanisation and de-industrialisation have led to significant structural shifts in the character of both labour markets and family life. These changes have generated a host of risk factors for already disadvantaged segments of society (including immigrants, homeless people, juvenile delinquents and disabled people). Lacking institutional opportunities for inclusion, a growing number of people have become isolated from their local communities and increasingly stigmatised as “undesirables” (Bourdieu, 1995; Beck, 1998; Halvorsen, 1999). Under conditions of low economic growth and a weak public service infrastructure, mounting fear about the creation of a permanent underclass has yielded an array of policy proposals calling for “active citizenship,” (European Foundation, 1997) in the context of a broader “recalibration” of the European welfare state (Ferrera and Hemerijck, 2003).

Within this context social enterprises have emerged as innovative third sector organisations embodying a new entrepreneurial spirit in the pursuit of a variety of social and economic aims (Borzaga and Defourney, 2001; Evers, 2004). Though primarily responsible for the production and delivery of human services, such as care giving and job training, social enterprises’ unique managerial capacity, democratic internal structure, and emerging role as key interlocutors between diverse community members has drawn attention to their hybrid character (Evers, 2004; Gonzales, 2006). Although scholars frequently underscore their value-added as social institutions, for the most part, research of these organisations has focused on their economic and managerial properties in an attempt to gauge their comparative productive and economic advantages. While in recent years, more attention has been paid to the way in which social enterprises influence the formation and accumulation of social capital (Evers, 2001; Svendsen and Svendsen, 2005; Gonzales, 2006), much less is known about their impact on marginalised service users.

In this chapter the focus is upon social enterprises as potential agents of empowerment for marginalised populations. Given the current effort to explore social enterprises’ potential as building blocks for social and economic development in South Eastern Europe, focusing on their contribution to social inclusion is particularly timely. In the first part of the chapter, an analytical framework which connects two key functions of social enterprises, social production and social mobilisation, to two forms of empowerment critical to the fight against social exclusion, *consumer* empowerment and *civic* empowerment, is developed. In the second part of

the chapter, this model is utilised to analyse Italian social co-operatives, a key subset of social enterprises in Southern Europe, which has attracted considerable attention in recent years (Borzaga and Santuari, 2001; Thomas, 2004; Gonzales, 2006). Based on empirical analysis of 140 social co-operatives in the two northern Italian regions of *Emilia Romagna* and *Lombardia*, key factors influencing social co-operatives' capacity to empower marginalised service users are discussed, and, in light of relatively poor performance, potential means of improving their capacity in the future is suggested.

There are a number of reasons for focusing the empirical portion of the chapter on Italian social co-operatives. First, the contemporary challenges facing Italy are in many ways emblematic of those of other Southern and Eastern European countries. Like many of these countries, Italy's welfare state has traditionally been characterised by charity-based social assistance for the poor and indigent combined with relatively generous pensions and employee benefits tied to a bread-winner model of social insurance (Ferrera, 1996). In addition, a heavy reliance on family and church to provide social care has reinforced a piecemeal development of public services and a relatively weak third sector (Saraceno, 1999). These factors have tended to reinforce a dynamic whereby privileged "insiders" benefit economically and socially from relatively good wages and generous social benefits while a growing number of "outsiders" are locked out of benefits and thus face much greater risk of poverty and social exclusion.

A second reason for focusing on Italy is that in attempting to "recalibrate" its welfare state to address its significant internal imbalances and inequalities, it has relied on strengthening the social and economic foundation of the Italian third sector. This is important because although many countries have taken similar steps, Italy was among the first European countries to establish a juridical basis for social enterprises distinct from other types of third sector organisations operating in the social sector. In 1991, the Italian legislature passed national framework legislation (n.381/1991) which deemed social co-operatives responsible for providing social assistance to the most disadvantaged segments of the population within the context of an explicitly public mandate specified in Article 1 as, "pursuing the community's general interest for human promotion and for the social integration of citizens". Thus, in tandem with a massive reorganisation of the social assistance system in 2000 (324/2000), local authorities have increasingly turned to social co-operatives to produce, manage, and deliver an extended array of public services.

These developments relate to a third reason why social co-operatives constitute a particularly interesting research subject – their incredible growth and dynamism over the last decade. Where fewer than 1 500 Italian social

co-operatives existed in 1993, by 2000 their number had reached 7 000 (Istat, 2001). While still a relatively small portion of the Italian third sector overall, their growth rate, which was estimated to be 381% between 1992 and 2000 (Vita, 2001), has significantly outpaced that of more traditional voluntary organisations. Due to the increasing salience of social co-operatives in the fight against social exclusion, examining their capacity to empower users will yield important information for Italian policy makers, practitioners and users. On a more general level, it will also provide valuable insights into the capacity of social enterprises to function as an enabling force within newly emerging welfare networks throughout Southern and Eastern Europe.

Social enterprises, welfare networks, and social inclusion:

A framework for analysing social co-operatives as potential vehicles of empowerment

Social enterprises have developed in the context of a dual transition from modern, industrial societies to post-modern, post-industrial societies. As the productive infrastructure of national economies has changed, and the character of social need has shifted to accommodate new values and identities, the state's role as the dominant organising infrastructure of social welfare systems has been substantially eroded (Jessop, 1994; Giddens, 1998; Gilbert, 2004). The ensuing blurring of boundaries between state, society and economy, and increasing specialised and fluid social relations, has created an environment conducive to increasingly complex social welfare networks comprised of a mix of public, private, and third sector actors (Evers, 1995).

Within these emerging social networks, social enterprises play an increasingly important role. Developed outside of traditional welfare systems and frequently in opposition to the perceived rigidities of state based social assistance schemes, social enterprises offer the potential for enhancing the efficiency and flexibility of service delivery. At the same time, their emphasis on solidarity and their embeddedness in local communities suggests a critical role in extending and reconfiguring welfare networks. While both of these potentialities are important for understanding the extent to which emerging welfare networks can ameliorate the adverse affects of eroding social protection, they do not fully capture the potential value of social enterprises as a collective response to social exclusion, understood here as the alienation from mainstream economic, political and cultural institutions.

Conceptually, social marginalisation has typically been linked to changes in labour market policy and social transfer policies such as minimum income and social security. However, understanding social marginalisation as a form of alienation, involving not just the extension of entitlements but rather a broader inability to assert a claim to membership (Wong, 1998), draws attention away from state policy toward the every day lives of marginalised segments of society. This, combined with an increased recognition of the limitations in the state's capacity to address the complexity of demand, and thus the multiple and diversified needs of relatively small groups of people within each community, underscores the salience of social enterprises as vehicles of social inclusion.

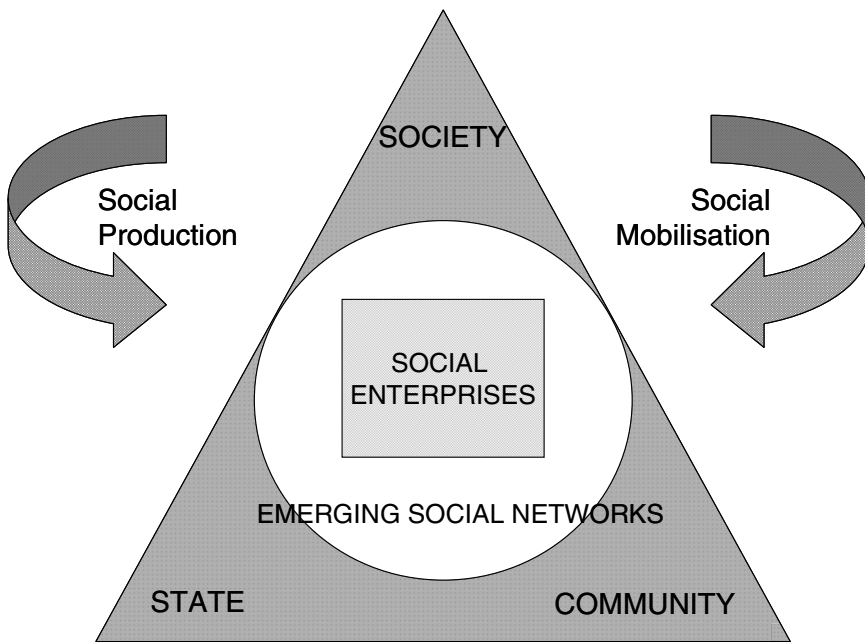
Although frequently viewed as a community-level phenomenon aimed at generating greater social cohesion among citizens, thus decreasing atomisation and alienation among citizens by fostering social bonds, this conceptualisation of social inclusion is problematic because it minimises the reality of significant structural inequalities and status differentials that exist between marginalised service users and other citizens. In the Southern European context, because most social service beneficiaries have traditionally been excluded from mainstream social, economic and cultural institutions, they occupy a particularly disadvantaged position within society at large, a phenomenon which, without empowerment, social cohesion is likely to perpetuate. Thus, for marginalised service beneficiaries empowerment is arguably a more salient aspect of social inclusion than social cohesion.

Empowerment connotes enabling individuals or groups of individuals to develop competencies or capabilities. As service-based institutions social enterprises offer two basic mechanisms for empowering users. The first relates to their *social production* function, and signifies the ability to foster service users' personal autonomy and individual competency by reducing key informational (such as a lack of knowledge about services and opportunities) and institutional (for example support structures) barriers to social inclusion. In so doing it generates *consumer empowerment*. Within the context of developing social markets, understood as local public administrators purchasing services from other entities which organise, manage and deliver them, empowering users as active consumers is critical to overcoming the kind of paternalism that often accompanies the provision of social assistance, thereby leading service provision to be more reflective of the priorities and goals of providers rather than a mechanism for service users to advance their own goals and objectives.

The second mechanism for empowering users relates to social enterprises' *social mobilisation* function. Based on an understanding of service users as a collective group of disadvantaged citizens, this dimension

signifies the ability of social enterprises to overcome key cultural and psychological barriers to social inclusion (such as stigmatisation, alienation and a lack of self esteem). As such it relates to *civic empowerment*, which constitutes users' ability to challenge underlying norms and rules of engagement that typically lead inequities and injustices to have a taken for granted quality. Together, these two dimensions of empowerment form the conceptual basis for thinking about social enterprises' capacity to effectively combat social exclusion and thus function as a force of progressive change within newly emerging welfare networks.

Figure 4.1. Conceptual diagram of social enterprises' capacity to foster social inclusion



Having located social enterprises within the conceptual property space defined by their contribution to social inclusion, I turn now to a discussion of the analytic and empirical linkages between: 1) social production and consumer empowerment; and, 2) social mobilisation and civic empowerment.

Social production and consumer empowerment

Relatively generous cash-based benefits linked to male breadwinners, combined with a weak public service infrastructure, and heavy reliance on

family and informal networks of social care, have left significant segments of the population in Southern Europe without a social safety net. As part of a broader attempt to correct some of the imbalances of the Southern European welfare model, social markets have been created, dividing responsibility for service provision between private and non-profit organisations on the one hand and public entities on the other.¹ Whereas the former organises, manages, and delivers social welfare services, the latter purchases and finances these services within an institutional and regulatory framework maintained by the state. Although often linked to greater efficiency and flexibility through the mechanism of “friendly” competition, (Le Grand and Bartlett, 1993; Wistow, *et al.*, 1996), the impact of social markets on the provision of services is subject to considerable debate. Whereas some commentators underscore the potential role of social markets to promote a more user friendly system by promoting a wider variety of services to cater to a more and increasingly diverse service needs (Savas, 1987; Le Grand, 1990), other commentators see them as impeding the ability of government to guarantee the overall social mission of services *vis-à-vis* the population, thus exacerbating the gaps in an already threadbare social safety net (Graefe, 2005; Bode, 2006).

The extent to which social markets will generate greater consumer benefits depend to a considerable degree on the way in which they are implemented and consolidated, a development which in many countries is increasingly dependent upon the performance of social enterprises. For marginalised welfare constituencies who represent the vast majority of service users, the potential innovation of these organisations within the context of social market formation lies principally in their ability to enhance social production in a way that facilitates greater responsiveness to individual service users. In other words, they can move beyond fulfilling basic minimum needs to enhance the personal autonomy of service users and the development of their competence as active consumers versus passive service recipients.

To evaluate social enterprises’ capacity to generate consumer empowerment in a systematic way, two primary constructs related to the character of service delivery, more specifically its breadth and scope, can be identified. A major factor of success in the provision of social services is the capacity to accommodate a wide range of needs by mixing services in ways that foster greater competence among service users in utilising institutional resources, thus easing service users’ integration into society and minimising their risk of exclusion over the long term (Ranci, Lembi and Costa, 2000). This aspect of social production is particularly relevant to many Southern European welfare systems which tend to generate a narrow range of highly particularistic services for relatively small numbers of people on the basis of

a highly restricted definition of need (Ferrera, 1996). Because social enterprises are often the primary intermediaries between marginalised welfare claimants and the social service system, the more diversified the services of social enterprises actually are, the better they are able to accommodate the multi-dimensionality of user needs and demands. Moreover, highly diversified services enhance individual consumers' ability to draw on a variety of different tools and resources to successfully participate and integrate into new social and institutional contexts after their direct interaction with the social enterprise has ended.

Customisation is a more complex indicator which refers to the programmatic aspects of non-standardised services and the extent to which they “wrap around” the individual service beneficiary. In empirical studies of social services, non-residential services are often used as a proxy for customisation because they tend to offer more individualised programming. However, assuming intrinsic differences between services poses validity problems because service type and programme activity do not often match up. For example, residential facilities for the self-sufficient elderly often provide much more personalised care than domestic care services even though the former are residential and the latter non-residential. Because the capacity of service organisations to fulfil user needs depends on the character of those needs, it makes little sense to consider service types without first considering the user base and the programmatic basis of services. In order to capture differences in degree as well as in kind, I evaluate customisation of co-operative services based on the range of activities/programmes offered which are designed to improve the quality of life of individual service users.²

Social mobilisation and civic empowerment

Civic empowerment connects social enterprises to social inclusion *vis-à-vis* the mobilisation of populations frequently excluded and/or isolated within stigmatised welfare environments. Whereas the social production dimension highlights the supply side of service provision and the capacity to empower users as consumers, social mobilisation taps the ability to restructure demand within welfare networks by empowering marginalised service users as a collective group of activated citizens. Recognising that many of the mechanisms that drive social exclusion, such as social stratification and the personalisation of social problems (Rubin and Rubin, 2001) have civic structural and cultural roots, civic empowerment captures the ability of social enterprises to serve as institutional catalysts for harnessing collective dissatisfaction and/or facilitating the civic and political engagement of particularly vulnerable risk groups. As vehicles for social mobilisation, social enterprises challenge a pervasive culture of

estrangement between marginalised welfare claimants and the broader community by providing an institutional channel to provide voice and stimulating them to assert themselves within a broader public arena. By creating a sense of vested interest and shared responsibility among welfare claimants, civic empowerment helps to overcome the kind of frustration and hopelessness that often leads people to withdraw from formal socio-political systems, thus perpetuating their exclusion from the public arena.

Another key component of civic empowerment relates to activism around social issues. Beyond protecting what Ranci (2001) characterises as the inalienable “moral rights” of service users (*i.e.* freedom of religion, personal liberty and freedom of thought), civic empowerment involves creating a space where users are able to defend and promote their interests – a factor which becomes especially important during periods of retrenchment because it is during these periods that marginalised populations are particularly vulnerable to attack by more powerful interests. Whereas the role of the labour movement in fostering social activism in Southern Europe is well known, less appreciated are the more locally based social movements that have developed around issues pertinent to social marginalisation. In northern Italy, for example, local movements developed in the 1970s and 1980s around the deinstitutionalisation of mental health, early child education and disability rights. To the extent that social enterprises reflect this legacy and/or play a role in raising awareness about the disadvantages facing marginalised populations, they promote greater social inclusion.

To evaluate social enterprises capacity to generate civic empowerment, two principle indicators are used: user participation and advocacy. Social enterprises that foster user participation enable marginalised groups to exercise a say in decision making. Allowing users to promote their views and protect their interests reduces the potential for exploitation. Examining participation as a form of social efficacy focuses on the institutional mechanisms that facilitate civic empowerment, particularly those that structure and/or influence stakeholder involvement. To the extent that social enterprises extend multi-stake holding to user groups, they provide users with the opportunity to exercise their sense of self efficiency and autonomy (Pestoff, 1998; Evers, 2001). This is particularly important in social service organisations due to the tendency of professionals to monopolise the decision-making process with the frequent effect of thwarting empowerment goals (Rubin and Rubin, 2001). Thus, empowering users as true participants extends beyond merely allowing them to have input into the content and form of service provision. It involves generating a true voice for users to assert their preferences and prerogatives through formal inclusion in membership, decision-making and planning. Although it could be argued that focusing on the formal aspects of governance represents an overly

restrictive view of participation (Gamson, 1997), it provides an important baseline for analysing social efficacy as a mechanism for enabling people to assert a collective will.

Advocacy, the second key indicator of social mobilisation, involves representing service beneficiaries' collective interests outside of social enterprises, thereby contributing to civic empowerment by facilitating a greater capacity to acquire benefits and compete more effectively for resources. The ability to promote issues and concerns affecting disadvantaged people is an important component of social mobilisation because social enterprises are often the primary institutional interface between welfare claimants and citizen groups on the one hand, and public administrators on the other. Thus, whereas it is possible to view social enterprises' service function as that of privatising user needs and interests (de Leonardis, 1998), the advocacy function increases otherwise marginalised service users' visibility and salience by transporting them into the public arena. In the process, it makes their interests and/or preferences identifiable to strategic political actors.

Advocacy is a particularly important component of civic empowerment because it makes public and explicit the issues and concerns of disadvantaged citizens. It raises awareness of common problems and concerns that would otherwise go unnoticed, such as inequalities or injustice, and generates the social basis of what are otherwise seen as individual problems. Consequently, in evaluating advocacy, it is important to look at the particular types of activity undertaken as well as whether social enterprises are sensitive to and/or supportive of an advocacy role in general. The former is evaluated by looking at the forms of collective action that they undertake (such as petition drives, rallies and participation in community forums). The latter involves investigating the goals and objectives of social enterprises as they relate to promoting more collective, less mechanical ways of thinking of service users, such as demonstrating a commitment to protecting and promoting welfare claimants rights' to self determination and/or diminishing their differential status vis-à-vis other citizens.

Social enterprises and empowerment: an analytic model for analysing institutional capacity

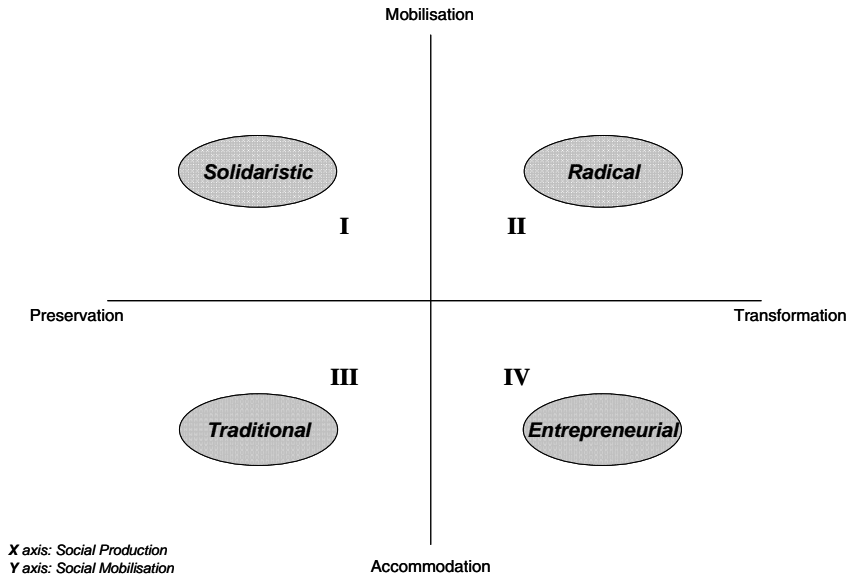
An analytic framework for evaluating social enterprises capacity to empower marginalised users along two principle axes (see Figure 4.2) has been developed. The X axis represents the social production dimension of institutional capacity, and thus the ability of social enterprises to foster *consumer empowerment* while the Y axis represents the social mobilisation

dimension of institutional capacity, and thus their capacity for generating *civic empowerment*. The former runs from *preservation*, signifying a perpetuation of the status quo with regards to the traditional model of service provision in Southern Europe (*i.e.* low visibility of users and generalised services for an undifferentiated client base), to *transformation*, which represents a high level of diversification and customisation of services, and thus greater capacity to foster social inclusion. The latter runs from *accommodation*, and thus continuity with the status quo which entails social enterprises mirroring broader structural and institutional inequities within society, to *mobilisation*, which involves social inclusion vis-à-vis high levels of user participation and advocacy. Together these two axes of social inclusion represent a range of capacities for fostering social inclusion, each of which map onto four distinctive institutional models:³

1. *Traditional institutions* (Quadrant I) score low on both social production and social mobilisation. Signifying a lack of capacity to empower users, social enterprises that fall within this Preservation-Accommodation nexus tend to replicate the traditional charity-based model of social provision typical of many voluntary organisations within Southern Europe.
2. *Solidaristic institutions* (Quadrant II) represent a strong capacity for civic empowerment yet a weak capacity for consumer empowerment. By supporting users and their families and fostering civic empowerment, these social enterprises represent the capacity for creating greater mutual recognition and solidarity between stakeholders but not necessarily enhancing marginalised people's autonomy and competency in service provision.
3. *Radical institutions* (Quadrant III) represent vehicles for developing a broader social movement around social inclusion by combining a strong capacity for fostering consumer empowerment with a strong capacity for fostering civic empowerment. In so doing they help to expand the scope of marginalised citizens' autonomy while diminishing the relevance of the market in determining their quality of life. Thus, with respect to the traditional role of social service provision within Southern Europe, they represent a Radical alternative to the status quo.
4. *Entrepreneurial institutions* (Quadrant IV), by contrast, exhibit a strong capacity to mobilise users as consumers, but a weak capacity to foster civic empowerment. This mixed performance indicates the ability of social co-operatives to play a significant role in the consolidation of more user-friendly service arrangements within emerging social markets – not unlike third sector organisations in liberal welfare states – but less

effectiveness in improving the status of marginalised service users as social citizens.

Figure 4.2. Typology of institution capacity to fostering social inclusion



Analysing institutional capacity as a combination of these two dimensions is useful in assessing social enterprises' role in reconfiguring the dominant "service-market paradigm" (Osborne, 1998), which underlies social markets, toward one that signals the creation of more inclusive welfare networks. Having laid out the conceptual and analytical framework for evaluating empowerment as a multidimensional indicator of capacity to facilitate social inclusion, I now turn to my empirical analysis of Italian social co-operatives.

Evaluating empowerment among Italian social co-operatives in Lombardia and Emilia Romagna

My analysis of Italian social co-operatives draws from both qualitative and quantitative data collected from social co-operatives in the northern Italian regions of Lombardia and Emilia Romagna.⁴ Utilising regional registries a stratified random sample of 140 social co-operatives from four provinces in Lombardia (Milan, Brescia, Lecco and Cremona) and four

provinces in Emilia Romagna (Bologna, Reggio Emilia, Parma and Ferrara) was identified.⁵

Given well known cultural and socio-economic differences between southern and northern Italy, the performance of social co-operatives in Lombardia and Emilia Romagna is by no means representative of social co-operatives in Italy as a whole. These regions are important however, in that they provide a particularly fertile environment for social co-operatives to thrive. Excluding some of Italy's five autonomous regions, (Sicily and Sardinia certainly cannot be considered to be amongst the most economically developed) Lombardia and Emilia Romagna are among the most economically developed, have some of the highest levels of social capital in Italy, and have among the strongest legacies of co-operativism in Italy. These factors make it reasonable to expect social co-operatives in Lombardia and Emilia Romagna to represent best practices in Italian social co-operatives and thus most likely to foster user empowerment.

Performance of Italian social co-operatives

The evidence that emerges from the analysis of Italian social co-operatives suggests caution in portraying social enterprises as vehicles of empowerment. As illustrated in Table 4.1, approximately half of social co-operatives appear to reproduce traditional models of service provision, demonstrating low to moderate capacity for empowerment on both the social production and social mobilisation dimensions. While social co-operatives seem somewhat more adept at generating consumer empowerment regardless of performance on the social production dimension, only a fraction of social co-operatives appear capable of stimulating consumer empowerment. As a whole, it would appear that Italian social co-operatives play an extremely modest role in facilitating social inclusion.

Table 4.1. Typology of social co-operatives based on level of social efficacy
(as % of total)

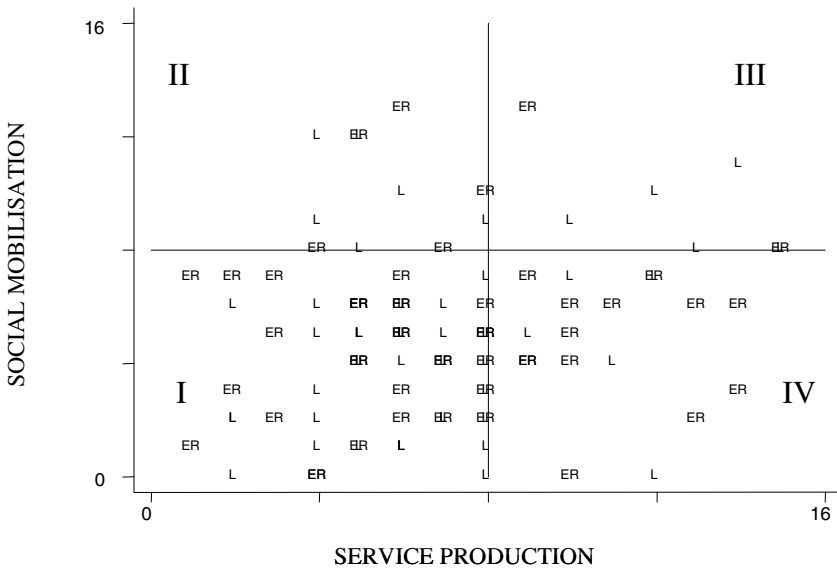
Solidaristic:	9%	Radical:	9%
Traditional:	52%	Entrepreneurial:	30%

Despite these somewhat negative findings overall, it is important to underscore variation. Mapping social co-operative performance onto the two dimensional property space illustrated by Figure 4.3, it becomes apparent that a sizeable minority of social co-operatives is able to generate relatively high levels of consumer empowerment. This, combined with some relative variation on the social mobilisation dimension, suggests it would be a

mistake to dismiss social co-operatives as simply perpetuating traditional forms of social exclusion and therefore irrelevant to user empowerment.

Focusing on region-based distinctions, what is particularly striking is the fact that the capacity of social co-operatives to foster user empowerment appears so similar across regions. Although Lombardia and Emilia Romagna are among those regions most likely to foster empowerment, 55% of social co-operatives in Lombardia and 45% of social co-operatives in Emilia Romagna appear to replicate traditional models of social service provision. Lombardia has a strong Catholic subculture, and has embarked on a rapid privatisation of the social service system with relatively little done to support initiatives that directly support marginalised citizens (Fiorentini, 2000; Fargion, 1998). The social co-operatives’ low average scores for both consumer empowerment (6.8) and civic empowerment (4.9) is perhaps therefore unsurprising. Yet, the fact that social co-operatives in Emilia Romagna, a region which has cultivated a partnership model of governance and has placed particularly strong emphasis, both materially and rhetorically, on social provision, scores only slightly higher on each dimension, 7.7 for consumer empowerment and 5.4 for civic empowerment, raises questions about the relevance of broader trends such as competitive contracting and chronic under funding in exerting downward pressure on co-operative capacity.

Figure 4.3. Property space defined by social efficiency: distribution of social co-operatives by region



Note: ER=Emilia Romagna; L=Lombardia.

In the sections that follow, I discuss my findings with specific reference to the two key dimensions of institutional capacity presented above. I turn first to a brief overview of social co-operatives' impact on civic empowerment, followed by a closer look at variation in social co-operatives' capacity to foster consumer empowerment.

Social co-operatives' capacity to generate civic empowerment

Because marginalised groups are often embedded within a larger system of relations that is designed and managed by others, facilitating civic empowerment involves challenging existing practices to reclaim a sense of control over one's environment (Keiffer, 1984). A key way of generating this is by promoting advocacy. Yet, this activity appears to be extremely rare among social co-operatives. Of the 14% of co-operatives that indicated that they undertook three or more of the types of advocacy activities listed in Table 4.2, most were not activities undertaken systematically. Even for those activities that appeared to be most prevalent, filing complaints/requesting action and formal participation in public assemblies, less than 10% of social co-operatives reported that they engaged in either of these activities on a regular basis. This evidence seems to indicate that where social co-operatives do engage in advocacy, it is mostly focused on what Shaw (1999) refers to as "negative" advocacy, defensive tactics stemming from particular grievances related to the organisation, thus involving little to no pro-active effort at mobilising key constituencies. This is further exemplified by the fact that of the 68% of social co-operatives that had indicated that they engaged in activities to raise awareness of social issues among non-members, the vast majority of them focused their efforts not on marginalised populations more broadly but rather on the problems, issues and concerns facing the co-operative as a whole or specific members.

Table 4.2. Frequency of formal advocacy activity among social co-operatives

	Systematically	Occasionally	Never
Public Demonstrations	2%	15%	86%
Public Petitions	1%	4%	95%
Open Letters	1%	12%	86%
Filing formal complaints/requests for action with public administrators and/or politicians	6%	20%	26%
Participating in public assemblies	10%	19%	71%

To some extent, the lack of a strong advocacy component among social co-operatives can be linked to the lack of user participation in formal

decision making. Over 70% of social co-operatives fail to include users among their formal membership and of those social co-operatives who do, a relatively small proportion of users are included in co-operative governance. Among the vast majority of co-operatives users do not participate at all in co-operative governance and overall, they tend to be less involved in decision making, the more abstract the level of decision-making. As indicated in Table 4.3, in 75% of social co-operatives users never take part in the definition and/or articulation of service/programmatic objectives, whilst in 84% of social co-operatives they never participate in the definition and/or articulation of the goals and objectives of the co-operative.

Table 4.3. Involvement of service users in distinctive levels of decision-making

	Frequently	Occasionally	Never
Definition and/or articulation of the goals and objectives of the co-operative	2%	14%	84%
Definition and/or articulation of the service and/or programmatic objectives of the co-operative	5%	20%	75%
Realisation of specific interventions	25%	31%	45%

Among the vast majority of users who are not formal members of social co-operatives, few can be considered as functioning as stakeholders in the sense that they are involved either formally or informally in decision making. For the most part, users neither participate in defining the goals of the organisation nor the distribution of resources and priorities, elements which are critical for creating a sense of collective efficacy. Thus, their opportunity for gaining what Keiffer (1984) describes as “participatory competence,” the type of learning by doing which increases understanding and raises consciousness, is significantly suppressed.

Users’ lack of participation in the formal governance of co-operatives, combined with the fact that co-operatives do little direct advocacy on behalf of users, suggests that the ability of socio co-operatives to create a deeper commitment to collective outcomes is weak. Accordingly, they are largely incapable of minimising the type of culturally imposed status rankings that serve to limit the choices and opportunities of society’s most disadvantaged groups (Piven and Cloward, 1979; Rubin and Rubin, 2001). Although there is no need to assume equivalent status between service users and other key constituents (*i.e.* professional service workers and volunteer workers) as a prerequisite for empowerment (Evers, 2001), absence from key decision-making positions precludes marginalised members of the community from exercising a direct role in determining how problems and solutions are

defined or framed, how resources are allocated and who benefits from them. This in turn limits their input to those aspects of social co-operatives which accentuate their identity as individual service beneficiaries rather than as part of a collective group of social citizens. Thus, while the proliferation of social co-operatives raises the prospect for an important new weapon in Italy's fight against social exclusion, analysis of their performance in Emilia Romagna and Lombardia, suggests that Italian social co-operatives are not currently operating as major vehicles for civic empowerment, understood here as the collective self-assertion of a disadvantaged population.

Explaining weak capacity to foster civic empowerment

One potential explanation for the weak performance of social co-operatives in facilitating civic empowerment is a lack of awareness and/or sensitivity to the concerns and needs of marginalised service users on the part of other co-operative stakeholders. While this factor is far from negligible, particularly among co-operatives located in smaller, less urbanised areas, in general co-operative stakeholders appear to be attuned, if not sympathetic to the issues facing socially marginalised service users. Moreover, they express favourable attitudes toward promoting user empowerment and combating cultural and institutional exclusion. Asked to rate the importance of various objectives in their co-operatives' founding, nearly half of co-operative presidents indicated, "changing or influencing society" to be either an "extremely important" or "important" motivation in the founding of their co-operative, while 46% indicated that "defending the rights of disadvantaged people" was "extremely important," compared to only 7% who indicated that it was either "unimportant" or "irrelevant" to the co-operatives' original goals. Moreover, over 61% of co-operative directors reported, "promoting an alternative conception of disadvantaged people than that found in the dominant culture" to be either "extremely important" or "important" in fulfilling their co-operatives' contemporary social goals.

The lack of capacity to foster civic empowerment is not so much about a lack of knowledge or sensitivity on the part of the co-operatives as about the external governance structures in which they are embedded. On average, public funding, drawn from multiple sources, accounts for 88% of co-operative revenue. Most funding comes from the purchase of service contracting, whereas only 10% comes in the form of donations or contributions which tend to provide social co-operatives with more autonomy. Because most of the funding received by social co-operatives comes from public authorities and close to 90% of co-operatives report contracting with the public sector for one or more of their services, they are particularly vulnerable to the policy and spending priorities of local public officials.

Public monopolisation of funding options allows public administrators to exert greater influence over contracting, which in the context of competitive bidding, is increasingly conditioned by management considerations. This is particularly relevant in Lombardia and Emilia Romagna which have moved swiftly to structure contracting arrangements in a way which limits administrative discretion over the procedural aspects of service delivery yet strengthens public administrators' control over outputs. Thus, a focus upon economy of scales, quality control measures such as certification procedures, and monitoring and verification of administrative capacity, places considerably more emphasis on organisational and economic efficiency rather than on less immediate or tangible benefits related to empowerment. Furthermore, the fact that paid workers constitute the dominant stakeholders among the vast majority of social co-operatives raises the risk of professional alliances between co-operative workers and public employees who share similar professional goals and objectives. While rarely the result of outright collusion, the professionalisation of norms and identity often leads social co-operatives to prioritise solving service delivery problems rather than promoting "participatory competence," among service users.

These dynamics are exacerbated in the context of relatively weak ties to other community organisations. Despite a demonstrated sensitivity to marginalised populations, only a small fraction of social co-operatives self-identify with a broader social and political agenda. Moreover, social co-operatives, aside from external linkages with public administrators, have strong linkages to the co-operative movement whose primary commitment and focus is to enhance the economic and organisational efficacy of co-operatives as places of employment as well as service delivery organisations.⁶ Thus, relatively little emphasis is placed on marginalised citizens beyond their role as service consumers. Furthermore, while innovative management techniques such as the so-called strawberry patch model of development promoted by the national consortium of social solidarity, *Consorzio Gino Mattarelli (CGM)*⁷, allows social co-operatives to maintain closer community connections by spinning off smaller co-operatives from bigger ones, and connecting these co-operatives to one another via a network of consortia (Carbognin, *et al.*, 1999), more often than not, these consortia represent yet another layer of management which further enhances the position of employee stakeholders and distances marginalised citizens from co-operative governance.

Given the dependency of social co-operatives on the public sector, it is no surprise that their inability to facilitate "civic" empowerment is linked in large part to trends in public governance, more specifically pressure on policy makers to utilise the "untapped" resources of civil society to balance

budgets. While dependency can work to undermine civic empowerment, this outcome tends to be highly linked to a critical, yet often ignored factor: chronic under funding. Relative to its Northern European counter-parts, Italy invests a comparatively small percentage of its social budget in developing and promoting services. Of an already small portion of public funding designated for social assistance, excluding health expenditures, less than 24% is spent on services (OECD, 2007). This can be compared to the United Kingdom where, by the mid 1990s, the proportion of public expenditure on social services contracted to non-public providers alone reached 34% (Gilbert 2004). Moreover, seventy percent of social spending in Italy is sustained by municipalities with their own resources (*Ministero del Lavoro e delle Politiche Sociali, and Direzione Generale per La Gestione del Fondo Nazionale per le Politiche Sociali e Monitoraggio della Spesa Sociale, 2005*). Because regions are not increasing social transfers to municipalities, recent funding increases given by the state to the regions do not appear to be trickling down to the municipal level, as is reflected in the low overall levels of funding granted to social co-operatives. In Lombardia and Emilia Romagna, which are among the richest regions in Italy, the average amount of a social co-operative's budget derived from all combined sources of public funding is approximately EUR 553 500.

Low levels of public funding are particularly salient given a general lack of alternative sources of funding. Because Italy does not have a strong culture of private giving and the number of non-profit and private foundations is relatively small, private social expenditure in Italy has, historically, been extremely low.⁸ While approximately 60% of co-operatives indicate receiving over 75% of their operating budget from public entities, only 5% of co-operatives report receiving funding from private sources alone. These trends help explain social co-operatives' emphasis on the tension they face in having to balance their social objectives with the reality of severely restricted budgets. Spending so much of their time trying to survive, they have little time for pursuing activity related to more long term goals such as consciousness raising and advocacy. Thus, the preoccupation with cost effectiveness sacrifices not only service quality, but meaningful progress in transforming ideals of social inclusion into practice.

Social co-operatives' capacity to facilitate consumer empowerment

Turning to the social production dimension, at first glance social co-operatives appear to represent somewhat of a departure from the *status quo*. With the exception of large, religious-based non-profit organisations like *Caritas*, the general pattern of service provision in Italy, as in Southern Europe more generally, has been non-residential services provided usually to a single category of service users with few if any alternative options for

care. Less than 18% of the social co-operatives appear to reflect this pattern (Table 4.4). A sizeable number of social co-operatives are offering multiple services to a single category of user, suggesting greater attention to the specialised needs of particular types of users. Most social co-operatives are generating a variety of specialised and generalised services (ranging from emergency hotlines and street education to full time residential facilities) to a variety of service targets or are offering multiple services to single users as a kind of wrap-around service.

Table 4.4. Distribution of services and user types

	Single Service	Multiple Service
Single User Category	18%	17%
Multiple User Category	14%	52%

These service arrangements provide the foundation for enhancing consumer empowerment not only by reducing social risk but by increasing individual capacity. Whereas uni-dimensional service environments often exacerbate dependency and stigma by defining and dealing with users on the basis of a single problem issue, service diversity can enhance individual well being in a way that extends well beyond satisfying immediate needs. This is exemplified by many co-operatives that generate a range of specialised residential and day treatment facilities in addition to specialised programmes aimed at integrating people recovering from drug dependencies back into their communities. In addition to offering job training programmes, as well as transitional housing, which are run and operated by residents, a number of social co-operatives have developed “life skills” training that cater specifically to the social and economic difficulties of clients; for example, day care for single mothers as they attempt to find work or counselling for families dealing with under-age drug dependency.

Aside from enabling an expansion of services which facilitate personal autonomy, the majority of social co-operatives report soliciting involvement in service delivery. As indicated in Table 4.3, in over 55% of co-operatives, service users are either frequently or occasionally involved in the realisation of specific interventions. This means that to varying degrees they are participating as service consumers in shaping the quality of those co-operative services and programmes that impact upon them most directly. Many social co-operatives also exhibit a strong commitment to integration and engage in a range of support activities which reduce the “ghettoisation” of users into service enclaves. Over 77% of co-operative directors consider “integrating users into the social life of their communities,” as either an

“extremely important” or “important” component of their co-operative’s social mission. This rhetorical commitment to social integration is supported, in many cases, by projects designed to bridge users’ physical and emotional separation from the communities in which they reside. The way in which social co-operatives can increase users visibility and foster their integration in the social life of their local communities, is particularly well captured by a co-operative member of *La Casa Grande* (The Big House), a co-operative in Sesto (Milan) in his description of the motivation for developing series of popular festivals organised for the marginalised youth living in group homes run by the co-operative. He says, “[it was]...to offer happy, even joyous imagery, of the presence of children with tremendous problems, yet still children open to life....to address to the world outside a message not of fear, anxieties and insecurities, but of closeness and solidarity,” (Vegetti, 2000; my translation).

However, looking more in-depth at the social production dimension reveals a less rosy picture. The majority of social co-operatives view service users as people to be assisted rather than service consumers whose voices, views, and capacity for choice are both appreciated and fostered. With few exceptions, most social co-operatives have not developed a service culture which stresses the rights and responsibilities of consumers. This is evidenced by a pervasive lack of consumer safeguards. Few social co-operatives have a formal grievance process in place or engage users in an open, ongoing dialogue about their perspectives on service development. Where mechanisms to gauge consumer opinion, such as questionnaires, are present, they have been introduced largely in reaction to particular problems or issues and have thus served primarily as mechanisms to solicit specific, targeted information rather than as a proactive attempt to involve users in service design or implementation or broader reflections on their well being. Of the 41% of social co-operatives that indicate they have administered questionnaires to users in order to solicit input with regard to user satisfaction, the vast majority do so infrequently. While users are able to express themselves through more informal mechanisms, for the most part, their opportunity to exercise “voice” with regard to the quality of their care is confined to personal exchanges with individual staff members.

Most social co-operatives stress collective solidarity over personal autonomy and thus to the extent that the latter is important for fostering personal initiative, many social co-operatives inadvertently undermine consumer empowerment. For example, most social co-operatives fail to develop the type of stepping stones that reintegrate users into personal and community networks outside the co-operative. The failure to empower users as consumers is particularly well illustrated among social co-operatives that cater to disabled users. Many of these co-operatives

specialise in managing social-education centres, lack long-term programming and provide little opportunity for the kind of educational and inter-personal development needed to foster empowerment.⁹ Furthermore, in the absence of consumer safeguards, service linkages, and social programming, the tendency to foster a family like atmosphere ends up replicating family hierarchies, with users at the bottom of the hierarchy rather than being viewed and treated as autonomous service consumers. Thus, in seeking to maximise solidarity, many social co-operatives frequently end up perpetuating users' segregation from the rest of society. In the context of social co-operatives that cater to disabled users, this is exemplified by the widespread development of special summer programmes which provide an infrastructure and support system to encourage families of disabled children and adults to vacation together in distant, highly isolated locations.

Explaining variance in consumer empowerment

Social co-operatives' capacity to produce civic empowerment depends to a large degree on the quality of public governance, and the indirect effects of social market development. Administrative and social reform during the 1990's, and on-going, significantly streamlined Italy's traditional reliance on complicated, legalistic procedures and regulations, which tended to emphasise procedural obligations over efficacy of outputs. These were tied to national efforts to promote a variety of collaborative policy-making measures. In addition to bolstering the responsibility of local public administrators for managing public affairs, social reforms have generated a variety of tools for enhancing service quality, including the introduction of quality rating systems, certification and accreditation of services. In addition, these legal and administrative developments have been accompanied by cultural changes within public administration, for example greater autonomy of social service directors from social service councillors (politicians), and the latter's increasing experience with, and knowledge of, the social sector (Pavolini, 2003). Combined with the institutionalisation of contention and debate in most domains related to social policy, these developments have greatly increased local public officials interaction with third sector organisations.¹⁰

While in general, these developments have had a positive overall effect in creating an environment more conducive to promoting consumer empowerment, pervasive decentralisation, complex intra-governmental divisions of authority, significant territorial and sector based resource inequities, and significant disparities in human capital, create a highly differentiated environment for social co-operatives to pursue consumer empowerment. In areas with a strong legacy of public-private partnerships

and public leadership which have prioritised social co-operatives and the creation of more integrated service networks, social co-operatives appear to be in a slightly better position to pursue consumer empowerment because they are able to draw on a variety of information and resources to develop synergies over time. However, without significant private and non-profit funding sources and local public officials who are particularly sensitive to the issue of social marginalisation, the push to develop social markets appears to weaken social co-operatives capacity to foster consumer empowerment in so far as it promotes a strategic emphasis on managerial and organisational efficiency.

Furthermore, public administrators' growing emphasis on combining services into global contracts, has the effect of favouring service providers who are able to demonstrate management capacity, professional development, and an entrepreneurial spirit grounded in the logic of expanding service networks.¹¹ By cutting down on the number of contracts and broadening the scope of each contract, public administrators argue that they are better able to generate greater responsiveness to the multi-dimensionality of user needs, at the same time, minimising the overhead involved in establishing, administering, and overseeing multiple contracts for a wide variety of small, specialised providers. Despite the positive effect of global contracting on expanding the scope of services, it creates disincentives in pursuing consumer empowerment in two key ways. First, it puts pressure on social co-operatives to adopt more vertical management structures. Although many social co-operatives have adapted considerable checks and balances in exercising managerial tasks, the emphasis on broad based service delivery accentuates the role of managers and professionals over other co-operative stakeholders. This in turn emphasises economic efficiency over deliberation, thus undermining consumer empowerment. Second, in so much as this strategy favours the development of co-operative consortia for co-ordinating programmes and services and pooling staff and resources, it adds another layer of decision-making, thus further distancing users from governance.

Moreover, explicit emphasis on service quality has not proven particularly effective in enhancing social co-operatives' prospects for consumer empowerment. During the mid to late 1990's, both Lombardia and Emilia Romagna embraced a variety of quality control measures intended, at least in part, to improve user satisfaction. As a result, regional law expressly prohibited the awarding of contracts solely on the basis of cost considerations and provided incentives for accreditation, thus mandating that contracting agencies establish quality criteria.¹² While these developments ostensibly create stronger consumer safeguards, they focus on the managerial aspects of service quality and thus arguably do little to

increase the accountability of service providers to service users. From the perspective of enhancing user empowerment, they are problematic in two key ways. First, quality controls such as assigning points in the granting of contracts favours measurable standards which are unable to deal effectively with the subjective and relational aspects of service production most conducive to enhancing consumer empowerment. For example, investment and development plans may be good for communicating information to evaluate economic efficiency, but they are much less effective in getting organisations to adapt practices that facilitate greater consumer empowerment (*i.e.* user consultation, democratic activities).¹³ Second, because standardised certification procedures are adopted by service providers largely as a signalling device aimed at winning service contracts, their emphasis on internal accountability tends to be low. Moreover, although they provide a mechanism for public administrators to get social co-operatives to adhere to common, minimum regulations, because they are front loaded, they often function as a substitute for service monitoring and thus often do little in the way of acting as effective checks in support of service users.

Aside from issues related to public governance, the fact that social co-operatives external relations are heavily intermediated by the broader co-operative movement is a key factor in determining social co-operatives capacity to facilitate greater consumer empowerment. In a number of ways co-operative representatives have played a positive role. For example, they have actively lobbied against excessive recourse to cost-based contracting, thus helping to bring down the weight assigned to cost as opposed to quality indicators in the contracting rating system. In addition, representatives of *CGM* and *Federsolidarieta* have been vociferous advocates for community embeddedness, a strategy for service development which bolsters' consumer-based empowerment, not just among social co-operatives, but service providers more generally. In spite of these generally positive contributions, co-operative leaders have little incentive to lobby to transform marginalised service users from passive recipients to active consumers. The central mission of the Italian co-operative movement is to defend and promote the interests of co-operative members and workers. While technically, membership includes users, because only a fourth of social co-operatives include users and their total number *vis-à-vis* other stakeholders is extremely small, they are not an important constituency, particularly compared to paid workers. Many co-operative leaders view promoting the interests and needs of co-operative workers as tantamount to pursuing those of service users, however the interests of these two constituencies often diverge. For example, in so far as the co-operative leadership has lobbied to extend mechanisms of self-regulation to social co-operatives, it has tended to thwart the development of more effective consumer protections, thus

exacerbating power differentials which already heavily favour paid workers over other stakeholders.

Conclusion: can empowerment be promoted?

In the first half of this chapter an analytical model of institutional performance linking the development of social enterprises to the fight against social exclusion *vis-à-vis* their capacity to generate consumer and civic empowerment was presented. Applying this model to an empirical analysis of social co-operative performance in Northern Italy, significant limitations in social co-operatives contribution to social inclusion has been revealed. While more work needs to be done to understand the degree to which these findings extend to other social enterprises as well as the specific factors that account for variation both among and between social enterprises in different countries, it is important to underscore the fruitfulness of this model in shedding light not only on the current capacity of social enterprises to empower marginalised citizens, but their future potentiality as well. With this in mind, the remainder of this chapter is devoted to generating recommendations for improving Italian social co-operative's capacity to promote user empowerment in the future.

Consumer empowerment

As an intermediary between public administrators and the communities they govern, social co-operatives are in a unique position to mediate tensions inherent in the process of forming and consolidating social markets. Yet, as previously underscored, whether they do so in ways that is enabling to marginalised service beneficiaries depends on a variety of factors related to the internal and external governance structures in which they operate. Keeping this in mind, social co-operatives' ability to promote greater consumer empowerment could be enhanced in the following three ways.

Developing public regulatory frameworks that increase user accountability

Local social service networks oriented toward service producers rather than users are pervasive in Lombardia and Emilia Romagna. In order to catalyse user empowerment, public regulatory structures need to enhance accountability to users, a process which involves recognising that users' interests cannot be adequately represented solely through social co-operatives. To the extent that the inclusion of "social partners" is seen as a substitute for direct representation, concertation, as an institutionalised form

of social dialogue, does little to change the structural foundation of exclusion in which marginalised service users are embedded. Within the framework of social concertation, local officials need to take more proactive steps in providing an autonomous voice for users' to interact directly with public administrators, for example by guaranteeing an alternative grievance procedure which bypasses co-operative management.

Promoting user-friendly quality control measures

Although both Lombardia and Emilia Romagna have developed measures to try to enhance quality control, the formulation, management and verification of these measures continues to be dominated by a managerial ethos which is ill-suited to empowering consumers. Because purchase-of-service contracting has shifted much of the onus of service management to social co-operatives and other third sector organisations, their views and perspectives become increasingly relevant for consumer empowerment. Thus, both public administrators and social co-operatives will need to develop a broader definition of social merit which includes key consumer concerns. In much the same way that co-operative leaders pioneered social accounting, they have the potential to stimulate the development and dissemination of user-friendly quality controls.¹⁴ For their part, public officials need to take a more active role in monitoring and enforcing contracts in a way that prioritises accountability to service consumers rather than administrative protocols. This could involve mandating a user bill of rights, as has been adopted within the public health administration. Alternatively, user empowerment could be made more central to the awarding of public contracts. Legislation in Lombardia and Emilia Romagna currently underscores providers' responsibility to develop instruments for activating and consolidating linkages within their local communities. Similar provisions could be extended to their ability to empower service users, for example, to gauge consumer satisfaction within individual contracts.

Increasing public and private funding streams

Improving social co-operatives capacity to make a meaningful contribution to consumer empowerment will require a substantial investment of human and material resources. To the extent that social co-operatives continue to be seen primarily as mechanisms for controlling costs rather than investing in people, they will not be able to shift much needed resources away from immediate needs to more long term goals. As social co-operatives key source of revenue, increases in public funding will be important to enhancing social co-operative capacity. Yet, given the fiscal

constraints currently facing local governments, greater effort will be needed to increase private and non-profit funding streams. Thus, greater government effort will be needed to develop social co-operatives revenue base by, for example, helping social co-operatives identify new markets, increasing public awareness of social co-operatives as targets of investment, and promoting tax breaks to citizens to encourage them to increase donations. For its part, the co-operative movement could play a significant indirect role by actively cultivating a wider array of funding raising strategies, focusing particularly on those aimed at generating sustainable, community-based revenue.

Civic empowerment

Like most third sector organisations, social co-operatives are as much a product of deep seated cultural structures and processes, as they are alternatives to them. Small, both in terms of social and economic capital, and somewhat peripheral to societal consciousness, social co-operatives are highly vulnerable to external influences, whether public administrators or more powerful societal groups, such as co-operative associations. To a great extent, their weak capacity for civic empowerment reflects this reality. This said, the process of social market creation, in so far as it takes place within a broad and quickly changing reform context, magnifies the importance of leadership. The following are two key ways in which social co-operative leadership can move forward to enhance civic empowerment.

Cultivating an ideological commitment to promoting internal and external solidarity

The social co-operatives that have managed to generate modes of interaction which build social bonds among stakeholders are those that have actively sought to promote mutual awareness and understanding as part of their core identity. By pursuing what one co-operative director referred to as “reciprocal consciousness”, social co-operatives can cultivate internal mechanisms for developing collective empowerment over time. By generating inter-personal relations which are simultaneously intensive enough to allow for mutual learning, yet loose enough to allow stakeholders from different backgrounds to integrate new values and attitudes with behaviours they express outside of the co-operative, co-operative leadership has the potential to create a climate more conducive to user involvement in governance. Furthermore, by helping to encourage social co-operatives to frame their social mission within the context of broader civic concerns, CGM and other social co-operative organisations can play a substantial role in promoting civic empowerment by facilitating greater awareness among

different stakeholders of both the common challenges they face, as well as the powerful structural and cultural forces that it is necessary to confront.

Extending and strengthening ties to grass roots advocacy groups

Despite a strong commitment to territorial embeddedness, the scope and breath of the ties of social co-operatives to their communities are quite limited. Because most of the focus is on service networks, where ties to other organisations do exist, they tend to be concentrated around co-operative bodies (other co-operatives, consortia, co-operative associations, etc.). A key factor in improving social co-operatives' capacity to generate civic empowerment is linked to their ability to cultivate closer relations with more advocacy-based community groups. This is important not only for providing a support structure independent of the co-operative movement, but also for creating the kind of synergies necessary for sustaining a long term commitment to social inclusion. In addition to seeking out ties to existing community based groups, social co-operatives can extend advocacy based networks by spinning off grass roots groups among users and their friends and relatives. This not only facilitates greater mutual support to resolve common problems, it can also trigger greater community activism.

The development of social enterprises over the course of the last decade has made a significant contribution to improving the scope and depth of social service networks throughout Europe. Much of their success, in turn, has been attributed to their unique status as hybrid organisations which hold together complementary, yet often conflicting social and economic functions. Grounded in this notion of hybridity, the model of institutional capacity developed in this paper has sought to shed light on the ability of social enterprises to empower marginalised service users in two key ways. Focusing on Italian social co-operatives as an important subset of social enterprises, empirical analysis has revealed that neither their special juridical status nor their unique institutional structure appear to make social co-operatives particularly likely to foster either consumer or civic empowerment. While in many ways these results point to the significant influence that social markets have on the performance of social enterprises, they underscore the complex interdependencies that exist between social enterprises and the institutional and cultural environment in which they develop, and the often conflicting pressures these organisations face in promoting greater social inclusion. Thus, rather than a focus on social enterprises as existing resources to be exploited, I argue that greater emphasis should be placed on social enterprises as potential resources to be cultivated.

Annex 4. Summary of key measures for social efficacy

Table A.1. Summary of key measures for social efficacy

Dimension	Key Variable	Variable Type	Variable Descriptions
Social Production	Diversification	Continuous(0-8)	Composite index of different types of services offered
	Customisation	Continuous(0-8)	Composite index of customised programmes / activities offered to primary user group
Social Mobilisation	Participation	Continuous(0-6)	Composite index of user input and involvement in institutional governance
	Advocacy	Continuous(0-10)	Composite index of direct advocacy and consciousness raising activity

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Notes

1. Before the mid-1990's there had been virtually no market role within the Italian social service system. This changed in 1992, with the adoption of European Directive, CEE 92/50, which obliged Italian public administrators to adopt more efficient contracting regulations, leading to the widespread introduction of purchase-of-service contracting, and in the late 1990's the proliferation of competitively tendered contracting (*gara d'appalto*).
2. I measure customisation as a composite index of eight types of programmes/activities offered to co-operatives' primary user group. These social programmes/activities were pre-selected on the basis of their contribution to enhancing the quality of life of service users. Incorporating a more holistic view of service users' social needs and concerns, these programmes and activities indicate a level of service quality that extends beyond "standardised services" aimed at fulfilling basic needs. To ensure that these activities/programmes reflect the particular needs and concerns of users, I generated a separate list of programmes/activities relevant to specific, marginalised populations covered in my study (the elderly, the disabled, immigrants, people recovering from drug dependency). The following is the list of social activities generated for disabled users: 1) psychological support/counselling; 2) accompaniment (*i.e.* errands, social outings); 3) physical therapy; 4) development of specialised skills; 5) job search/placement; 6) legal assistance; 7) eliminating architectonic barriers; and, 8) education projects/scholastic integration.
3. Each axis represents a composite score of social efficacy ranging from 0-16, 0 representing absolute 0 and 16 representing the highest score possible. The median score 8, is utilised as the cut off point, separating weak and strong capacity for user empowerment, and thus distinguishing different types of social co-operatives. See Appendix A for a summary of key measures.
4. Most of this data is taken from an in-person survey I developed and delivered to co-operative presidents and directors between January and December 2001. I utilised the survey as a means of soliciting information about social co-operatives, their history, organisation, philosophy and

activity, as well as attitudes and opinions regarding the analytically derived understandings of concepts elaborated in the first half of the chapter. My empirical analysis draws from a variety of other sources as well, ranging from primary documentation of co-operative histories and programmes to in-depth interviews with co-operative personnel, academics and co-operative association officials. With regard to the latter, I conducted 31 interviews with provincial, regional, and national level officials within each of Italy's two largest co-operative associations, *Lega* and *Confcooperativa*.

5. There are two main types of social co-operatives in Italy: Type A social co-operatives deal with welfare services explicitly, while type B social co-operatives are geared toward labour market insertion. Although the sample includes a number of mixed co-operatives that combine elements of both A and B co-operatives, it focuses on type A social co-operatives with the exclusion of co-operatives listing either minors as their primary category of users or homecare as their only service area.
6. Over 89% of social co-operatives in Emilia Romagna and Lombardia are members of either *Lega* or *Confcooperativa*. With the exception of other co-operatives, with whom 93% of social co-operatives indicate either occasional or frequent contact, social co-operatives appear to have modest interaction with community organisations.
7. In 2007 CGM changed its legal status to that of a co-operative group.
8. For example, in 1995 voluntary private social expenditure accounted for only 1.9% of GDP (Adema, 2000). This is far outweighed by the private share of social expenditure in most European countries, ranging for example from 4% to 17% in Sweden, the Netherlands and the United Kingdom.
9. In a number of cases low grade assemblage activity, which is used to generate income for the operation of the co-operative, is the central stimulus provided for service users, an activity which tends to be normalised by co-operative workers as necessary and appropriate in light of both the gravity of users' disabilities and the need to give users "something to do".
10. On the basis of a survey conducted 1999, Pavolini (2003) found that 68% of municipal social service councilors surveyed had sustained relations with the third sector, most of which involved at least monthly interaction.
11. Although already pervasive in Lombardia where there has been a concerted effort to facilitate global contracting through consortia (Regione Lombardia, 2000), this practice is likely to be much more pervasive in the aftermath of Directive 2004/18/EC. This directive, which now regulates the co-ordination of procedures for the award of public

service contracts, essentially takes away the prerogative of member states to discriminate against bidders from other member states above a minimum threshold.

12. In the late 1990's many social co-operatives began a process of adopting internationally recognized quality certification schemes. In collaboration with *Federsolidarieta*, CGM, began its first extensive quality control project in 1998, the first stage of which involved the certification of its 68 consortia and 1 000 individual co-operatives with UNI EN ISO 2001: 2000 (also known as Vision 2000).
13. As a consequence of these types of concerns, many social co-operatives view standardized protocols like UNI-EN-ISO as inadequate tools for evaluating the substantive aspects of service quality. As a result, co-operative representatives have pushed for sector-based norms within the ISO 9001 to be elaborated by national certification bodies. In addition, they have supported the development of an inter-regional accord which would enable a broader, more systematic set of standards for certification and eventually accreditation (Fanelli, 2001).
14. Long before corporate social responsibility was in vogue, the co-operative movement initiated the adoption of social budgets (*bilanci sociali*) as a means of promoting service quality. A form of social accounting, these *bilancio sociale* came to represent a key policy instrument for compelling co-operatives to address and be responsible for, the social impact of their activities (Viviani, 2000).

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Glossary

Civil society

Civil society may be defined as a space or arena between households and the state, which affords possibilities of concerted action and social organisation. Thus, it encompasses all voluntary associations of citizens, whether politically motivated or active or not (although the term carries an implication of political consciousness and activity): business, labour, non-governmental organisations, churches, special interest or purpose groups. These elements are the constituents of civil society, but none can individually be representative of it. Business is often excluded, although the OECD does include it, given that channels of communication between traditional organised business and labour and government are generally well established. Most frequently the term is used interchangeably with “NGOs” where the term “NGO” refers specifically to activist groups, although these are simply one category of civil society as a whole.

Co-operative

A co-operative is an association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. Examples of co-operatives in Europe can be traced back to the 19th century. The International Labour Organisation has recently (2003) suggested that co-operatives should be based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity and share the principles of: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and, concern for the community, which were identified by the International Co-operative Alliance in 1995. A co-operative includes one or more kinds of users or stakeholders: 1) consumers who use the enterprise to acquire products or services (such as a retail co-operative, housing, healthcare or day-care co-operative); 2) producers (such as independent entrepreneurs, artisans, or

farmers) who use the enterprise to process and market the goods or services they produced, or to buy products or services necessary to their professional activities; and 3) workers who use the enterprise to secure their employment and control their working conditions. Co-operatives operate democratically (one person, one vote) through two bodies (general meeting of the members or delegates, and the board of directors, which is composed of members elected at a general meeting). The delegate structure may be required to reflect the size of the organisation or the distance covered by the co-operative. The co-operative's start-up capital usually comes from co-op shares purchased by members. Since 1980, special co-operatives, known as social co-operatives, have become more widespread in OECD member countries.

Foundation(s)

Foundations are philanthropic organisations, organised and operated primarily as a permanent collection of endowed funds, the earnings of which are used for the long-term benefit of a defined geographical community or non-profit sector activity. Foundations operate as grant-making institutions, and also as providers of social, health and cultural services. It thus provides a significant link between the private and non-profit sectors, acting as a recipient of private capital and a funder of non-profit organisations. Foundations are tax-exempt, incorporated, not-for-profit, organisationally autonomous, and cannot be controlled directly or indirectly by government at any level, corporations, associations and their members, or individuals). Because they occupy a unique and central place in the non-profit sector, the development of foundations will strongly affect the future of the sector as a whole.

Mutual organisations/societies

A mutual organisation is an organisation owned and managed by its members and that serves the interests of its members. Mutual organisations can take the form of self-help groups, friendly societies and co-operatives. Mutual organisations exclude shareholding as they bring together members who seek to provide a shared service from which they all benefit. They are widely represented in the insurance sector.

Non-profit sector

The best known definition, while not commonly shared, particularly in European countries, is undoubtedly that supplied by the Johns Hopkins University in Baltimore (www.jhu.edu/~cnp/). According to this definition,

the sector includes organisations which are voluntary, formal, private, self-governing and which do not distribute profits, such as hospitals, universities, social clubs, professional organisations, day-care centres, environmental groups, family counselling agencies, sports clubs, job training centres, human rights organisations and others. In fact, entities belonging to the non-profit sector can vary from country to country according to national history and tradition. The term non-profit, born in the USA, refers mainly to the absence of profit distribution. This is substantially different to the European approach of “social economy”, which includes co-operatives. However, this difference is less significant when investigated through empirical research. C. Borzaga and J. Defourny (*The Emergence of Social Enterprise*, 2001, Routledge, London) argue that the distribution of profits is in any case limited by internal and external regulations in co-operatives and mutual organisations in European countries.

Social economy

The term “social economy” first appeared at the beginning of the 19th century in France. It was, nevertheless, only at the beginning of the 20th century that it began to be employed to indicate various entities aimed at improving collective working conditions and individual lives. This concept is now also used by Anglo-Saxon countries to refer to the production of goods and services provided not solely by the non-profit sector, but also, in some cases, by private enterprises with shareholder agreements that force the majority of shareholders to agree to social objectives undertaken by the firm. Among the organisations belonging to the social economy, one can find associations, co-operatives, mutual organisations and foundations. This type of economy is essentially regulated by the stakeholder principle, which stands in stark contrast to the notion of shareholder capitalism. The “social economy” is a broader concept than the non-profit sector, as it is less strictly bound to the non-distributional constraint, according to which organisations cannot legally redistribute their surplus to their owners (see also “Third sector”).

Social enterprise

An organisation form which has flourished in recent years, many definitions of social enterprise exist. Apart from academic definitions, and those elaborated by international organisations, which are built around general criteria, definitions used within countries are specific to the national understanding of the phenomenon of social enterprises. Increasingly countries are developing legal definition of social enterprises. Generally, this concept refers to any private activity conducted in the public interest,

organised with an entrepreneurial strategy and whose main purpose is not the maximisation of profit, but the attainment of certain economic and social goals, and which, through the production of goods and services, brings innovative solutions to problems such as social exclusion and unemployment (see *Social Enterprises*, OECD, 1999). In this way, social enterprises combine the entrepreneurial skills of the private sector with a strong social mission that is characteristic of the social economy as a whole. Social enterprises are part of the thriving and growing collection of organisations that exist between the private and public sectors. They come in a variety of forms including employee owned businesses, credit unions, co-operatives, social co-operatives, development trusts, social firms, intermediate labour market organisations, community businesses, or charities' trading arms. They mainly operate in two fields of activity: the training and integration into employment of persons excluded from the labour market, and the delivery of personal and welfare services.

Solidarity economy (économie solidaire)

The idea of the solidarity economy is mainly used in France and Canada (Quebec), and is also widespread in Latin America. It has different meanings according to the geographical context in which it is used: in the South American context, it mainly refers to fair trade and the popular economy, in Quebec it is linked to cooperatives, non-profit enterprises as well as to community economic development (*mouvement économique communautaire*) and in Europe to solidarity initiatives, mainly, but not exclusively, in the proximity services. Sometimes the term is used in association with the term social economy (as in Quebec) and sometimes in opposition to it, notably where the social economy is seen as composed of established organisations, while the solidarity economy mainly refers to non-established citizens' initiatives aimed at experimenting with new paths of economic development. In the European context, examples such as the fair trade movement are developing inside the sector, together with innovative forms of financial/non monetary-exchanges based on reciprocity.

Third sector

The concept of “third sector” is often used as a synonym to the non-profit sector and, more recently, also to “social economy”, particularly in European literature. The term was chosen to reflect the idea that the sector assembles these otherwise disjointed entities, and that it sits between the public and private sectors and follows unique social goals and internal organisational rules. Its mode of financing is mixed, as it can seek both private and public funding. The idea of establishing a distinct “third sector”

has given rise to many hefty debates, which have centred upon the danger of using the third sector as a residual sphere or “dumping ground” for those individuals excluded from the private and public sectors. To avoid the danger of social polarisation, the third sector should not merely be seen as an alternative route or juxtaposition to the public and private sectors, but as an interactive and reflexive component of economy and society. Others have argued that the boundaries of the third sector cannot be established with certainty, and for this controversial reason the European Commission preferred the use of the term “Third System”.

Third system

The term “Third System” was first utilised by the European Commission in 1997 and refers to the economic and social fields represented by co-operatives, mutual companies, associations and foundations, as well as all local job creation initiatives intended to respond, through the provision of goods and services, to needs for which neither the market nor the public sector appear able to make adequate provision. On the initiative of the European Parliament, in 1997 the European Commission introduced a new pilot action entitled “Third System and Employment”. The aim of the action was to explore and enhance the employment potential of the “Third System” with an emphasis on the areas of social and neighbourhood services, the environment and the arts (http://ec.europa.eu/employment_social/publications/2002/ke4502555_en.html).

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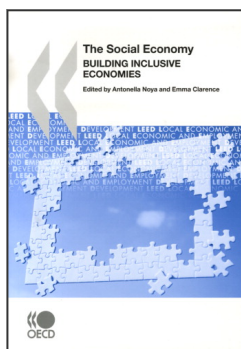
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