

The Third System and Post-Capitalist Society

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Introductory remarks

The vast and diverse world of the nonprofit economy seems finally to have come out of the shadows, and is increasingly assuming the place it deserves in the consideration of scholars and politicians. The recognition of its potential is still incomplete, and could yet be reversed. However, the idea is becoming widespread that this nonprofit sector, which forms a genuine "third sector" in contemporary economy, may offer a solution to various problems from which our societies are suffering, and which the two "traditional" (private-commercial and public) sectors, are no longer able to suitably face.

In general, it can be said that the expectations aimed at the nonprofit sector, which should perhaps be more appropriately called the associative economy, go in two directions. On the one hand, this third sector is able to satisfy that set of social needs, (which is, in part, new) that for various reasons neither the classic capitalist enterprise or the public sectors are able to satisfy. On the other hand, to the decline in capacity of the two traditional sectors in the creation of jobs, we can oppose a nonprofit sector that is producing employment. By means of this double effect – needs satisfaction and job creation - the associative economy offers a strong contribution to welfare and social cohesion, indicating the direction towards a development with stronger communitarian traits, which we would call (borrowing an expression by Peter Flora) the "associative solution"¹.

The dimensions of the third sector

Only recently the dimensions of the third sector have become the subject of thorough study, although the surveys conducted, so far, remain imperfect. Let us consider those which seem more useful.

In 1993 the *Social Economy Unit* of the European Commission (DG XXIII) promoted the first EUROSTAT research on the social economy, which considered almost 269,000 cooperatives, mutuals, and associations covered by the consulted national umbrella organisations (EC 1994b). According to this study, the social economy in the EU countries employs almost 2.9 million people, and has a volume of activity of 1,550 billion ECU. The largest component is the cooperatives with 61% of jobs and 79% of turnover, then come the associations with 31% of jobs and 16% of turnover, and last are the mutuals, with 8% of jobs and 5% of turnover. Mutuals have 96.6 million members (almost all pension scheme members); cooperatives have 53.7 millions members (53% of these being cooperative bank depositors); associations have 32.1 millions members. However, the Social Economy Unit warns that this first survey excluded a large proportion of the voluntary sector. Awaiting the results of a more complete research, it estimates that the social economy in EU countries employs over 5 million people and makes up between 4% and 7% of the total economy.

So far, however, the most important contribution to the knowledge of the dimension of the third sector has come from the *Johns Hopkins Comparative Nonprofit Sector Project*, started in 1990, which examined seven countries thoroughly (France, Germany, Italy, United Kingdom, USA, Japan, and Hungary) and another five less thoroughly.

The authors of a first concise report on the project (Salamon and Anheier 1994) give a first impression of the scope of the activities carried out by nonprofit organisations. They list the following impressionistic data. In Germany, 40% of all hospital patient days are spent in nonprofit institutions, 50% of all nursing home residents stay in nonprofit homes, 60% of all residential care facilities are nonprofit, and 33% of all children in day care attend nonprofit institutions. In France, 55% of all residential care residents stay in nonprofit facilities, and 20% of all primary and secondary students attend nonprofit schools. In Italy, 41% of residential care facilities and 21% of kindergartens are nonprofit. In the United Kingdom, nonprofit primary and secondary schools are attended by 22% of all students, and 10% of dwelling units are built or rehabilitated by nonprofit organisations. In the United States, 51% of all hospital beds are provided by nonprofit institutions, and 49% of all colleges and universities, 95% of all

¹The characteristics of this new model of development have been outlined, *inter alia*, by Delors and Gaudin (1978, 1979), Delors (1997), Ruffolo (1985), and Archibugi (1984a, 1984b, 1998).

orchestras, and 60% of all social service agencies are nonprofit.. In Japan, 77% of all university students attend nonprofit universities, and 40% of all hospital patient days are spent in nonprofit institutions.

From the same survey less “impressionistic” data was obtained with regard to employment and operating expenditures in the third sector in comparison to overall employment and Gross National Product. We reproduce this data in Table 1.

Table 1 – Third Sector Employment as Percentage of Total Employment and of Service Employment, and Third Sector Operating Expenditures as Percentage of Gross Domestic Product, Seven Countries (1990).

	Third Sector Employment as Percentage of Total Employment	Third Sector Employment as Percentage of Service Employment	Third Sector Operating Expenditures as Percentage of Gross Domestic Product
USA	6,8	15,4	6,3
France	4,2	10,0	3,3
UK	4,0	9,4	4,8
Germany	3,7	10,4	3,6
Japan	2,5	8,6	3,2
Italy	1,8	5,5	1,9
Hungary	0,8	3,0	1,2

Source: L. M. Salamon and H. K. Anheier, *The Emerging Sector: The Nonprofit Sector in Comparative Perspective - An Overview*, Baltimore: The Johns Hopkins University Institute for Policy Studies, 1994.

A first remark which can be made about this information is that the overall size of the third sector in western countries is relatively consistent. Following the USA, at the top, are France, Germany, and the United Kingdom, which all employ around 4% of the overall work force. Italy is at a substantially lower level.

Apart from the dimensions of the third sector, as pointed out by its importance in relation to some phenomena (employment, product, etc.), it is necessary to try – although bearing in mind the extremely limited data available - to grasp the emerging potential of the third sector in contemporary industrial society. We are helped on this point by some statistics relative to the USA and western Germany.

From 1977 to 1990 total employment in the USA increased by 34 million (Independent Sector 1992), meaning that 34 million jobs were created from a base in 1977 of about 103 million (with an increase, therefore, of approximately 33%). Of these new jobs, 23 million were created in the commercial (for-profit) sector, slightly over 5 million in the public sector, and 6 million in the nonprofit sector. Thus in 1977, the nonprofit sector represented 9.3% of total employment and in 1990 it became 11%.

The German data has an even older base (Anheier and Priller 1995). Employment in western Germany has passed from about 25.7 million in 1960 to about 28.4 million in 1990, with the total net creation of 2.7 million jobs. This increase, with respect to total employment in 1960, represents an increase of about 10% (in the last 10 years, 1980-1990, it has been equal to about 1.4 million). This new employment, representing thirty years in Germany, was generated only by the public and nonprofit sectors, because the commercial sector as a whole lost 300,000 employees. The only expanding sectors were the public sector (+2.2 million approximately) and the nonprofit sector (+900,000 approximately)².

²Archambault (1996) reports some approximate data on employment trends in the French third sector between 1981 and 1991, from which emerges an evolution similar to the American and German experience. While during the ten years of reference, overall employment increased from 21.7 to 22.2 million units, thus 2.2%, employment in the third sector increased from 711,000 to 993,000 units, thus

From the data examined it can be inferred that in Germany, and probably in the USA as well, the well-known process of “tertiarisation”, common to all industrial countries, and known about for a long time due to a large quantity of analysis, is showing a somewhat new characteristic: the ever more manifest replacement of the commercial tertiary sector with the non-commercial tertiary sector (public and nonprofit). And on the basis of some signs that are still not completely obvious but can be inferred from the universal crisis of public finances (budget deficit, public debt), it is presumed that a further tendency will be that of the relative substitution of the public tertiary sector by the nonprofit tertiary sector.

Why the third sector?

Overview of some explanatory hypotheses

There are various reasons why the third sector should have developed. But why has it actually developed? Without expecting completeness, we can try to give an overview of the most widely accepted hypotheses concerning the emergence of this phenomenon.

It is no coincidence that the most systematic attempts to explain it have come from the United States. It is in this country, among all the industrialised countries, that the nonprofit sector has had its major expansion, now reaching ten percent of employment overall. It is also there that nonprofit organisations have, for first time, recognised, notwithstanding all the differences separating them, that they are part of a particular sector with their own characteristics and common interests.

In developing a theoretical perspective, one of the first steps has been to clarify why certain semi-public goods which produce externalities, are provided by nonprofit organisations rather than by the state. It is argued (Weisbrod 1977, 1988) that in a non-homogeneous society, the preferences of citizens in regard to the quantity and quality of goods are very diverse. The democratic state provides for these preferences in the way preferred by the median elector, thus not satisfying the demand for collective goods expressed by consistent minorities and neglecting the deviation of specific groups from the average demand. It is into this empty space that nonprofit organisations fit. They deal with the demand for semi-public goods not satisfied by the public mechanism of the majority. The third sector is the outcome of the incapacity of the state to meet the needs and preferences of a society that is highly variegated in lifestyles. The greater the heterogeneity in terms of income, education, ideology, ethnic origin, etc., the more extensive will be the third sector.

The next question regards why third sector organisations should be in a better position than for-profit businesses to meet these needs (bearing in mind that nonprofit organisations provide private goods as well). Reference has been made to the need for *trust* which characterises the goods generally provided by nonprofit organisations (Hansmann 1980). The purchase of industrial goods does not require a particular relationship of trust between the purchaser and the producer. The quality of goods - in relation to those supplied by other producers - is relatively easy to determine. This is not the case for many services, such as health care, education, charity, the care of the elderly and handicapped, etc. For various reasons, an anticipatory control of the quality of these types of services is difficult, and consumers prefer to turn to organisations which, due to the constraint of the non-distribution of profits, give greater guarantees that they will not exploit the lack of information on the quality of the service to the detriment of the customer. Without this need for “confidence”, the customers would turn, as they do for industrial goods, to for-profit enterprises, by dint of their greater efficiency in production.

Several scholars, regarding these strictly microeconomic explanations as reductive and insufficient, have turned their attention to the “supply-side”, and have underlined the centrality of the ideological factors in the motivation of the service-providers. In systematic research into nonprofits (James and Rose-Ackerman 1986) the figure of the entrepreneur led by religious, political, and, in general, ideological motives has made his or her appearance. This figure aims to propagate his or her beliefs in society, which

recording an increase of 39.6%. The result is that between 1981 and 1991 the share of employment in the third sector with respect to total employment passed from 3.3% to 4.5%. On the employment potentialities of the Italian third sector, see the results of a recent research promoted by the Lunaria association (1996), which has come to the conclusion that “by adopting a series of institutional, economic, and fiscal measures, during the next two years the third sector in Italy could create up to 200,000 jobs in the areas of welfare, culture, education, environment and multimedia”.

is a goal hardly compatible with profit maximisation. The introduction of the ideological factor has helped to explain the differences that can be found between the nonprofit sectors of various countries and social-cultural contexts.

Common to all these interpretative perspectives is the idea that the nonprofit sector represents a real and efficient solution to the needs of society. It is, however, useful to mention an interpretation which clashes with the above idea. According to this way of thinking, nonprofit organisations manage to survive, while at the same time presenting, in comparison to public bureaucracies and for-profit enterprises, serious shortcomings in efficiency and adaptability. They survive, to a certain extent, because of these shortcomings (Seibel 1990, 1992). The nonprofit sector thus has the role of a “garbage can”, in which all difficult (or impossible) to resolve problems end up. These problems would be of no interest to the private sector, and the state prefers to “unload” them onto more or less independent organisations in order to avoid excessive pressure on its own legitimacy. The nonprofit organisations act ineffectively and regularly miss their targets, but have the function of maintaining the stability of the political system, for which the state gives them generous financing and ensures their survival.

The third sector and the transition to the post-industrial society

All these theoretical hypotheses have been criticised for one reason or another, and it is not possible here to dwell at length on the debates that have surrounded them. It is enough to point out that they seem to share a certain static character, i.e. they are not sufficiently tied to an overall idea of contemporary social and economic change. For this reason, it would be opportune to integrate these current hypotheses with an approach that is more attentive to the structural changes in advanced economies, the main elements of which can be summed up in the following manner.³

1. If post-industrial society is characterised by the decline of industrial employment, this depends on technological development that permits ever higher levels of labour productivity and greater mass production with less and less employees. But, it depends also on the fact that consumption preferred by consumers more and more tends to be of the “tertiary” type, thus creating little, if any, increase in productivity in the respective production processes. This is consumption that calls for productive processes with a high labour intensity. In these service sectors, which are prevalently personal and in which quality of performance is valued more than quantity, productivity is very low, and the possibilities of attracting entrepreneurship - which lives by the profitability connected to production innovation - are very limited.⁴ In short, post-industrial society is characterised by a declining entrepreneurship, at least of the “traditional” sort, which seeks profit and is motivated by it.
2. Traditionally, the state has taken on the burden of the demand that was unsatisfied by an entrepreneurial supply on the market. The various problems that have arisen because of the enormous expansion in public activities are widely acknowledged, and the economic and social unbearableness of further loading is taken for granted.
3. In post-industrial society unlike industrial society, the imperatives of a division of labour which, given the transregional and transnational nature of industrial production, is required for the achievement of high levels of productivity (and competitiveness), no longer function. These imperatives still persist in the technologically more advanced sphere of industrial production, but not in the production of services, which today - while they cover an increasing role in the set of economic activities and in the structure of consumption - are expressed on limited operational and territorial scales. Services are hardly exchanged between regions and cities, and the productive units of services favour a “local” and “human” scale. The need to “personalise”, which is desirable for those who use the service rather than its producers, favours organisational forms of the nonprofit type rather than the classic capitalist enterprise (which, we should point out, remains the institutional form most suitable for industrial production).

³See Archibugi (1984a, 1998) for a more elaborate exposition.

⁴The senior author of the present paper has further argued for this point in Archibugi (1998). Among the best elaborations on this question is Baumol (1967), not to mention the classical arguments by Schumpeter (1942, especially chap. 10 and 12) on the decline of profits as entrepreneurial motivation.

Toward “post-capitalist” society

We would like to add some thoughts on the type of society that could emerge in parallel with the expansion of the third sector. It would be a type of society that has much in common with the model that has represented the point of reference for a large part of the workers’ movement for a better society, traditionally known as “socialism”.

In effect, our idea is that the change in the post-industrial productive structure of the advanced societies certainly has points of contact with the Marxist theory of the historic development and transition to socialism. For Marx the development of production forces requires, at a certain stage of development, the substitution of the old production relations with production relations of a new type, that are more suitable to the level of social productivity. This transformation influences, in turn, the overall quality of social relations. Apart from the unsuitability of deterministic hypotheses, what differentiates the emergence of the third sector from this evolutionary perspective is the fact that the third sector does not substitute for capitalist production relations in the areas where the latter are predominant, i.e. industrial production. Rather, the third sector owes its development to the progressive reduction in the relative importance of industrial production for the satisfaction of human needs.

Contrary to the Marxist hypotheses, the capitalist organisation of business is - and will probably continue to be - perfectly able to increase productivity in the economic sectors where this growth is possible, those sectors that are in one way or another industrial. Where capitalism has proved to be inadequate, instead, is the constantly expanding field of new needs, which, in order to be satisfied, require services whose production involves little or no increase in productivity.

Traditionally, the state has assumed responsibility for the provision of these types of services, although public intervention suffers from serious limitations in terms of adherence to the needs of people, managerial efficiency, and respect for social autonomy. This does not imply that a wide range of functions still may not be satisfactorily carried out by the public sector, and that this will continue to be the case in the near future as well.

The vision of Marxist socialism according to which economic community and solidarity relations will completely substitute those based on personal advantage and profit - and which in perspective will make the state useless - must be replaced by a vision that recognises that the third sector finds itself in a complementary relationship with the other two sectors, public and private-commercial. It is also unlikely that the pluralism of the sectors in the ambit of a thus realised single economy will be replaced by a hegemonous third sector, at least for the period of time that would permit reasonable prediction.

Renouncing hegemonous third sector perspectives does not mean, however, being satisfied with the space that is currently reserved for it. The dynamic that has generated it, together with its growth potential, shows no sign of diminishing. This means that room for solidarity, autonomy, and social imagination may continue to increase and advance the process of transition from welfare state to welfare society, which should motivate today’s progressive forces.

Also in this context,⁵ we emphasise that the interaction of the three sectors, in order to produce the hoped-for effects, must occur in the framework of economic and social development planning, in which the traditional actors (state, for-profit enterprises, trade unions) and new ones (organised consumers, third system) can participate in more developed bargaining or concertation over a plan, which allows them to overcome the limitations of the welfare state and to open the way to a welfare society.

A central question: the third sector and the trade unions⁶

The problem

Following the brief review of factors that have produced the emergence and development of the third sector, we will now deal more specifically with a particular aspect of the theme: what is, and could be, the role of trade unions in the development of the associative economy?

It is worthwhile immediately stating the belief that underpins the following considerations, a positive

⁵As previously in Archibugi (1958, 1996) and Archibugi, Delors and Holland (1978).

⁶The theme of this section is developed in Archibugi and Koenig-Archibugi (1995, 1998).

attitude on the part of the trade unions towards the third sector including its active promotion, would not only be an enormous advantage for the associative economy, but also a guarantee for the trade union itself of its continued relevance and importance in a world in transformation. The crisis of the trade unions is, in fact, the consequence of the employment model of the economic-industrial sector (first sector) of which it is historically the offspring.

The first question that arises is of a conceptual nature: are the trade unions not, perhaps, part of the third sector? In other words, should the problem be reformulated as that of the relationship of the trade unions with the rest of the third sector?

It is not merely a question of definition. If the fact of the trade unions belonging to the third sector is not taken for granted by trade unionists and nonprofit sector operators - as we think it should be - this is the sign of the existence of a substantial problem.

Looking back at the history of the trade union movements, we note that, in their original form, the unions carried out a very wide range of functions. They organised first-hand loan and insurance schemes; they were involved in cultural and educational activities; they acted as intermediaries for a quantity of personal services. In brief, they dealt with a wide range of needs of their associates. We also note that the type of services that were provided is, today, typically offered by third sector organisations. With the passing of time, the sphere of union activities became more limited and concentrated. They accepted the fact that the satisfaction of the needs of their associates became more and more the task, on the one hand, of private firms and, on the other, of public authorities. Their attention, therefore, concentrated progressively on the improvement of wages and labour conditions, and the control of public social policies. The "specialisation" carried out by the trade unions brought, without doubt, several advantages. In part, the enormous increase in well-being which Europe has enjoyed in the last fifty years can be attributed to this. But, in this way, the trade unions have inadvertently supported the tendencies towards commercialisation and, in particular, bureaucratisation of needs satisfaction.

This is, of course, a very stylised description of the actual evolution, which does not consider notable national and temporal peculiarities. In particular, it does not take into consideration the various degrees of trade union participation in the definition of public policies in cooperation with the representatives of the entrepreneurs, what today we tend to call "neo-corporativism". But, where this participation is more developed, for our aims it is important that it does not amount to an autonomous management of collective needs - the basic principle of the third sector - but rather to pressure and support directed to the public authority.

In light of these circumstances, it is not surprising thus that the position of the trade unions in the vast world of the third sector raises some perplexity.

The question we can, therefore, ask is: what is the present position of the European trade unions with regard to the associative economy?

We begin by noting that the evolution described above is not complete, and that the unions have maintained and in some cases assumed functions that go beyond the representation of strictly working interests. These functions differ from country to country, and are very often the expression of local situations. To give a few examples, we can mention the intense activity of the Swedish trade unions in the area of consumer protection. An even more interesting example for our purposes is the Unity Trust Bank. This British bank was founded in 1984 and is owned jointly by the cooperative movement and the trade unions. It offers more than five million members of 32 unions affiliated with the Trade Union Congress, services such as home and car insurance, personal loans, discounts for travel, credit cards, life insurance, and pension plans. Particularly important is the fact that the bank has established links with a large number of building and production cooperatives, loan societies, and nonprofit and voluntary organisations, and has become an important financial force in the "voluntary sector".

In Italy, the *Confederazione Generale Italiana dei Lavoratori* (CGIL) created AUSER, an association which promotes initiatives of solidarity, assistance, education, intelligent and productive use of time, particularly for the elderly and with the elderly.

In most European countries, unions offer some individual services to their members, often on the initiative of local branches. The motivation is frequently to contribute to limiting the loss of members and gaining new ones, by offering incentive for association. Sometimes, however, ideals of solidarity and community are decisive.

From our point of view, the problem of these initiatives - apart from their scarcity - is their fragmentary and unaware nature. Rarely do trade union leaders feel a general need for a widening of

union functions, and when this widening takes place, it tends to be a consequence of contingent stimuli.

When the problem is perceived in general terms, it is not unusual for trade unions to show a certain resistance to the idea of greater union involvement in the third sector. This resistance is often identical with a diffident attitude with respect to the third sector itself.

It may be useful to attempt a sort of short "inventory" of the reasons that lead to this resistance.

First of all, there is the fear that the development of the third sector means a worsening of the employment conditions, with regard to pay, social security, and the quality of labour. For some, a job in the nonprofit sector is synonymous with low-qualified, underpaid, precarious, and socially unprotected work. This idea dominated the atmosphere of a recent conference organised in Vienna by the European Confederation of Trade Unions, which intended to discuss the contribution that the social economy might give to the creation of jobs.

Another concern is that by helping to develop the third sector, strength is given to those who wish to dismantle the welfare state. The trade unions see themselves justly as the "godfathers" of the welfare state, and are anxious not to become - albeit involuntarily - its undertakers. This position is especially widespread in Germany, in part very probably because of the relative satisfaction of German citizens with their welfare system and their state in general. We can see that behind this concern, there is often hidden the interests of public employees who in any European country represent a relevant share of unionised employees.

A more specific objection makes reference to the managerial capacities of the trade unions. If trade unions have developed relative capacities in particular areas, one might wonder, why should they risk new and uncertain initiatives? Would it not be better if everyone limited themselves to what they know? This too is an argument that is particularly widespread in Germany because of a specific episode, the bankrupt and possibly fraudulent management of the large collective utility company *Neue Heimat*, a trade union property that was active in social building. This episode, which has engaged the courts for years, profoundly undermined the credibility of the trade unions as entrepreneurs both in the eyes of the public and in those of their own personnel.

Another factor in this resistance has a more intangible aspect. It concerns the cultural differences that often divide the trade union world from that of the third sector. The promoters of third sector activities often come from "alternative" cultures, critical of "traditional" institutions. They are often oriented towards "postmaterialist" values and strongly in favour of social innovation. To the extent that this is true, mutual misunderstanding may exist between the latter and the trade unionists, which in turn leads to disinterest for their respective goals and activities.

Positive signals

This overview, however, must not lead to excessive pessimism. There are also many signals that lead to hope for a change in attitude on the part of the trade unionists in regard to this question.

For example, recently the biggest German trade union, IG Metall, carried out a survey among its members to ascertain whether they wished to expand the range of services provided by the union. The result was that a large part of the members would like to receive, from the union, the possibility of additional insurance, legal consultation, and opportunities for culture, information, free time, and travel. They also indicated that they would be willing to pay for these extra services.

But, the most promising signal has, without doubt, come from the British Trades Union Congress. The British trade unions are at the forefront with the nonprofit sector, as the example of the Unity Trust Bank and initiatives taken by important trade unions such as the Transport and General Workers' Union and Unison, the civil servants' union, show. But recently, the trade union leaders have also taken a stance with regard to the matter in a clear and incisive way. The General Vice-secretary of the TUC, David Lea, is actively involved in the promotion of trade union interest in the third sector. In particular, at the summit on social dialogue organised by the European Commission in Florence in 1996, Lea presented a document on the criteria that should guide the action of trade unions with regard to the third sector. In this TUC document, acknowledgement is expressed of:

- the notable expansion of the third sector that has taken place in recent years, as a consequence of social and economic change;
- its role in the satisfaction of emerging social needs and in the promotion of social solidarity;

- its role in the creation of jobs;
- the fact that the welfare state may use the social economy to evolve into a welfare society;
- the fact that the unions must have a fundamental role in this process, and that, in this, they can be inspired by their historical traditions;
- the need for collaboration among European social partners, social economy organisations, and European Union institutions, in order to improve knowledge of the third sector and outline a common course of action.

In short, the TUC document has taken on the recommendations expressed by those who, in recent years, had augured a more intense relationship between the trade union world and that of the associative economy. If these recommendations are taken seriously by the interested social forces and institutions, it could represent a turning point in this relationship, and perhaps in the evolution of the third sector itself.

The third sector and the rebirth of trade unionism

An increased attention on the part of the trade unions towards the phenomenon of the third sector is necessary because of some tendencies that characterise post-industrial economy and society. As already mentioned, the relative shifting of consumer demand towards goods and (in particular) services, whose production does not permit significant increases in productivity, provokes, apart from the more widely recognised phenomenon of deindustrialisation, a slow but constant restriction of space for entrepreneurial activity of the classic profit-oriented type. The exhaustion of the capacity of the classic capitalist enterprise sector to further expand has effects on employment, in the first place. Many believe that the period of the so-called “normal” employment - i.e. employment that is permanent, continuous, specialised, and full-time - is over together with the organisational form that supported it, capitalist enterprise. We do not need to dwell on the fact that employment in the third sector only rarely corresponds to this model.

The risk is that the unions approach the third sector using the criteria that have been developed in the relationship with the for-profit sector. This could lead to tension and misunderstanding, rather than to fruitful collaboration for both. This situation would be disadvantageous for the third sector whose development would be impeded further, and for the unions who would find themselves involved in opposition to a phenomenon that has originated from powerful economic and social developments which are, in many ways, irreversible, and above all, desirable.

On the contrary, the trade unions should become more and more aware that the post-industrial society and economy require a redefinition of their role, and if this does not occur, they run the risk of progressive obsolescence. In brief, the idea is as follows: the trade unions should become promoters of the further development of the third sector.

Involvement in favour of the nonprofit sector may be a way for them to reconfirm their function in changed conditions. They could regain their importance for their workers by satisfying needs that capitalist enterprises have difficulty in satisfying, and which it would be counterproductive to entrust to the state. Consensus gained in this way would ensure the centrality of the trade union principle in the society of the future, as well.

This evaluation acquires more weight if it is considered that, before long, the majority of members of European trade unions may be retired. The elderly are among the main beneficiaries of the typical activities of the third sector, both with regard to personal aid, and to the social and cultural activities that fill the gap left after the end of their working life. To propose that the relationship between this category and the unions should be limited to the protection of their pensions means not recognising the communitarian nature of the trade union, and condemning it to a slow but inexorable decline.

The advantages that the third sector would gain from a greater and more systematic commitment of the trade unions is quite clear. It could benefit from the enormous experience of the trade union movement in the field of organisation, mobilisation of people, and promotion of solidarity.

The possible concrete forms of this association must be studied better. Interesting aspects are provided by the experience of the “Local Exchange Trading systems” or LETs. These are informal networks of limited size, in which goods and services are exchanged with vouchers that are valid within the network and according to equivalencies that are different from market prices, with strong elements of solidarity (Offe and Heinze 1990). These initiatives in communitarian economy, which are becoming widespread in

various European countries, could be promoted and “sponsored” by the unions, and could benefit from their structures and organisational capacities.

Organisation is the main resource that the trade unions can offer to the third sector. Experience in organisation constitutes a patrimony that has been accumulated by the unions over many decades, and should be put to good use in new areas of activity.

But, the third sector could benefit from the involvement of the trade unions in another way as well. One of the most serious problems for nonprofit organisations is, without doubt, that of financing. The unions could play an important role in this field as well. By this, we mean that there is a possibility to adapt of the idea of trade union investment funds, which have been adopted with differing fortune by numerous European trade unions in the past, to current social needs and in particular to that of guaranteeing the third sector organisations sufficient means to carry out their functions of public and collective utility. This would be true, in particular, if, as should be hoped, the trade unions, by means of their local organisations, assumed the responsibility of providing services considered worthy of promotion. The trade unions could declare a willingness to contribute a more or less substantial part of the increases in contractual wage renewals to a “trade union fund for the third sector”, created and managed autonomously by the trade unions themselves. It is, furthermore, conceivable that a part of the sums flowing into the fund could derive, in part, from what workers pay to the state in the form of social contributions and taxes, which the state could “give up” in exchange for a commitment by the unions to assume the responsibility of organising and financing the services to which these sums are now destined. This negotiated transfer of resources and responsibilities would have an effect of “destatisation” of certain collective services, with consequent benefits in terms of efficiency and autonomy.

The European dimension

The European Commission⁷

The 1993 White Book on growth, competitiveness, and employment remarked that in the countries of the Union many needs determined by the evolution of life style, structural transformations and family relations, the growth of female employment, and the new aspirations of the elderly population, are still unsatisfied. To face this demand, it was recommended to stimulate a kind of supply, the social economy, which is placed between the supply entirely protected by public subsidy and that which is entirely competitive. The means of this stimulation was envisioned to be fiscal measures and aid for the creation of social enterprises (EC 1993).

In 1994 the Commission asked the Council to approve a pluriennial work programme in favour of cooperatives, mutuals, associations, and foundations in the Community. In the programme (EC 1994a) it is observed that:

...cooperatives, mutuals and associations occupy a significant place in economic activity in general and in the development of regions; whereas maintenance of the strengths and special features of the cooperatives, mutuals and associations sector will warrant a special effort in terms of analysis and optimisation, more particularly as regards: its capacity for innovation and experimentation; the encouraging the utilisation by these enterprises of Community programmes specifically geared to enterprise development (the sector has a proven track-record in terms of networks and partnership arrangements and the mobilisation of operators and consumers); its enhanced participation in the social dialogue and in the implementation of social cohesion policies, an area in which this sector has undeniable advantages.

The programme also points out that:

...more than any other type of organisation, associations are close to the specific needs of citizens and

⁷The need for European institutions to give due consideration to the system of “social self-organisation” or the “third sector” was one of the main points of the Report of the reflection group, chaired by Giorgio Ruffolo, which the European Commission asked in the mid-1970s to investigate the “new features of socio-economic development”. See European Commission 1977. See also Delors and Gaudin (1978). The attention that the European Commission has devoted, in recent years, to the “third sector” also is shown by the creation in 1989 of a new service in the framework of DG XXIII dealing with the “social economy”.

are thus able to respond effectively to very varied expectations and requirements. This is the justification for stepping up knowledge in the sector.

The advisability of promoting the positive potential of the sector emerges also from the recognition that it:

...is particularly skilled in the field of social innovation, i.e. a field which it is very much in the Community's interest to recognise, promote and utilise. This can be done all the more easily and effectively given that a large number of firms in this sector constitute essential vehicles for Community policies. Whether the problems can be related to urbanisation, economic decline, job loss, the increasing financial uncertainty among substantial sections of the population or the management of human resources, these entities come up with solutions which offer potential for renewal and which they disseminate - often with the support of the public authorities - by way of the kind of networks in which they occupy a very significant position.

The need to promote the development of these economic subjects which, while on the one hand are not of public status, but on the other are not profit-oriented enterprises, emerges also from the Commission's works devoted to the measures directed at promoting employment, especially at the local level. The DG V report on *Employment in Europe 1995* (EC 1995a) did not analyse the evolution of employment from the point of view of the type of employer, profit making business, nonprofit organisation, or public body. Nevertheless, it already contained several important indications with regard to the third sector policy. The report stated that:

...despite the recession, significant growth of employment has occurred in a number of service sectors in recent years, many of these meeting new needs which have been stimulated by rising levels of real income per head and technological advance, such as business and computer-related services and telecommunications, and leisure and recreational activities, and by growing social and environmental awareness, such as care for the elderly and infirm, improved sanitation and recycling.

Among the economic fields which the report indicates as creators of jobs there are several in which the presence of nonprofit organisations is particularly strong, or even predominant. The statistics provided by the report confirm that among the few sectors between 1990 and 1994 which recorded an increase in employment are those of recreation, education, health, and environmental protection, all sectors with a large presence of nonprofit organisations (EC 1995a, table 49).

For the creation of jobs, the Commission gives great importance to local level employment development initiatives:

Employment stands also to be boosted by local development and employment initiatives. These are a means both of meeting local needs, which arise from improving standards of living or changing patterns of behaviour, and which have so far been inadequately catered for either by the private sector or by public authorities, and of increasing the rate of job creation. As noted above, personal and collective services have been a major area of job growth even during the recession and offer the potential for even more significant expansion in the years ahead.

The areas where the potential for meeting local needs could provide substantial numbers of new jobs - some 140-400 thousand a year according to macro-economic model simulations - include home help services, child care, new information and communication technologies, assistance to young people, better housing, security, local public transport services, revitalisation of urban areas, local shops, tourism, audio-visual services, local cultural development as well as waste management and the other environmental sectors noted above. (EC 1995a)

The Commission report *Local Development and Employment Initiatives* (EC 1995b) has indicated those activity areas, such as social and communal services and environmental protection, in which it is at the same time possible to satisfy new needs and create employment. One of the conclusions of the Essen European Council (December 1994) already had recommended "the promotion of initiatives, particularly at regional and local level, that create jobs which take account of new requirements, e.g. in the environmental and social-service spheres."

It can be confidently claimed that a substantial part of the local level employment development initiatives, to which the documents quoted refer, have nonprofit organisations as their protagonists. In these initiatives, the presence of nonprofit subjects often has a greater weight than both that of public agencies and profit-oriented enterprises, and are thus essential for their success. It was a flaw of the Commission's (and particularly its DG V's) first reflections on local employment development to have neglected the nature of the organisations which "carried" these experiences.

This shortcoming has been partly corrected in subsequent studies. In November 1996, the Commission published a *First Report on Local Development and Employment Initiatives* (EC 1996). From this report, the necessity emerges to pay attention, for the success of these initiatives, also to the characteristics of the enterprise whose activation has to be promoted. The specificity of the social economy organisations compared to other private forms is acknowledged, and the strengths of the social economy are (somewhat narrowly) identified as: (1) its flexibility in legal and financial terms, (2) its capacity to promote and support, in various ways, who decides to start his or her own business, and (3) its willingness to embark on the most innovative projects which more traditional entrepreneurs are more reluctant. The report also warns that:

whilst local development and employment initiatives and the social economy have much in common it would be wrong to treat them as they were the same. It would be a mistake to see any conflict between creation of SMEs and development of the social economy which are actually more likely to complement each other.

The Commission Draft of the *Joint Employment Report 1997* (EC 1997c, § 3.4.1) remarks that:

the national reports indicate that there has been a further expansion of initiatives for the most-hard-to-place, by unlocking the potential of the social economy. This involves the creation of work in socially-useful activities, which do not generally compete with private businesses. Although these jobs are often temporary in nature, evaluation from earlier initiatives shows that they can have a more positive effect than traditional, mass government schemes.

Following the conclusions of the Extraordinary European Council on Employment, held in Luxembourg in November 1997, the Commission outlined the *Guidelines for Member States Employment Policies* (EC 1997d). This text acknowledges that:

...if the European Union wants to deal successfully with the employment challenge, all possible sources of jobs and new technologies and innovations must be exploited effectively. To that end the Member States will investigate measures to exploit fully the possibilities offered by job creation at the local level, in the social economy and in new activities linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles in the way of such measures.

The Commission had already issued a positive evaluation of the social economy sector in its Communication on *Promoting the Role of Voluntary Organisations and Foundations in Europe*, adopted in June 1997 (EC 1997b). According to the Commission:

...the sector has shown itself capable of opening up new opportunities contributing not just to improving the quality of life but also employment and economic growth. It is for this reason that the sector should be encouraged to play a bigger part in the quest for job creation as stated in the "Employment Pact", for example in the context of Local Employment Initiatives.

But the associative sector's meaning reaches well beyond its important contribution to economic welfare:

...there is no doubt that voluntary organisations and foundations make a profound and indispensable contribution to the democratic life of Europe. Indeed, the existence of a well-developed association and foundation sector is an indication that the democratic process has come of age.

In order to promote associational life in Europe, and paying full respect to the subsidiarity principle, the Commission's communication proposes a wide range of measures at both national and community levels. At the national level, it would be useful to:

- develop research programmes in order to attain a better knowledge of the sector;
- intensify the relations between the public authorities and the associative world, in full respect of the latter's autonomy;
- set up a clear and efficient legal framework;
- review carefully the fiscal and competition regulations of the sector;
- encourage financial support of associations, both from public authorities and private sources;
- secure to all participants in the sector, an adequate professional training;
- promote the sector's participation to the development of the information society;
- facilitate the access by associations to structural funds programmes.

At the Community level the Commission proposes to:

- improve the dialogue between voluntary organisations and foundations, and European institutions;

- establish a Year of the Associations and European Citizenship;
- improve the knowledge of European institutions of the sector, and particularly to create an European observatory on the social economy;
- facilitate the access by associations to Community financing sources;
- consider the possibility of creating a special fund for the promotion of the associations' transnational activities.

On the whole, the references in this section show that the European Commission, in its role as institution in charge of the promotion of structural innovation in the Union, is taking seriously the importance of the associative sector, and is considering how to make concrete this recognition. What is needed now is to put into practice these ideas, and above all not to forget the sector when concrete measures facing the problems of unemployment and the new needs are going to be started.

The European Parliament

An important impulse toward a deeper consideration of the third sector's employment potentialities came from the European Parliament, which has inserted into the Community budget for 1997, a line (10 MECU) devoted to the promotion of "employment in the third system". This budget line is intended to finance innovative pilot projects in the sector of social and proximity services, for the environment and culture, and to spread the knowledge of the results across the whole Union.

In the document introducing this budget initiative, presented by Ms. Fiorella Ghilardotti, MEP, it is remarked that "the moment seems to have arrived, for the European Union and its institutions, to consider the third sector as a central problem of economic and social development", since "along this 'third dimension', the occasion is presented, for Europe, to contribute effectively to the solution of those two crucial problems - unemployment and poverty - which constitute the paradoxical scandal of its economic growth. (EP 1996)

The working programme issued by the European Commission (DG V) for the implementation of the pilot action "third system and employment" (EC 1997a) provides for three moments: (1) research and analysis activities, (2) experimentation of the acquired knowledge by the promotion of model initiatives, and (3) broad diffusion of the information and evaluation of third sector potentialities, through adequate instruments yet to be developed.

The European Trade Union Confederation

It is an extremely positive fact that recently, the European Trade Union Confederation (ETUC) has displayed a particular interest in the social economy. Bearing witness of this interest are a series of conferences promoted by the ETUC on this subject, in Vienna in June 1996 (with the ÖGB), in Cardiff in October 1996, and in London in July 1997.

In view of the Luxembourg Extraordinary European Council on Employment, the ETUC Executive Committee issued a declaration on policies against unemployment (ETUC 1997). Among the recommended measures is a more active utilisation of labour market expenditure in order to facilitate job creation in the social economy sector, in addition to the public and private ones.

This position has been confirmed in an important joint declaration of ETUC and of organisations representing the European social economy, issued in view of the Extraordinary Council (ETUC *et al.* 1997). In the declaration it is stated that:

...the ETUC intends to participate to the development of a social economy, whose objective is above all to respond to needs, to provide high-quality services, to contribute to an active labour policy, to be the builder of citizenship and of economic and social democracy.

The social economy organisations and ETUC agree that there are big reserves of skilled jobs in the social economy sector in the areas of environmental protection, child care, social and health care (particularly for the elderly and the disabled), education, and culture. The trade union side and the social economy side share an aspiration for a more communitarian economy in which the high level of social protection which characterises European social systems does not risk to be a victim of the tendencies towards competition and individualisation. The signatory organisations commit themselves to develop a "space of voluntary social dialogue", with the objective of rendering concrete a range of common initiatives:

- the promotion of life-long training of the people working in the social economy sector;
- the reduction and redistribution of working hours in order to boost job creation and the conciliation of work and family life;
- the emphasising of the exemplary role of the social economy in the development of economic democracy and employee participation;
- the development of cooperation among different entities at the local levels, particularly in order to secure the social economy's and the trade unions' full participation to the Territorial Employment Pacts.

Furthermore, the social economy organisations and the ETUC intend to develop common employment initiatives to be realised in the framework of the structural funds and of the pilot projects in the third sector, whose financing has been decided by the European Parliament.

This remarkable document ends by announcing the constitution of a permanent coordination group among the signatory organisations.

Suggestions and proposals

In comparison to just a few years ago⁸, it is possible today to record several encouraging signals on the subject of the relations between the worlds of the associative economy and of the trade unions. The EU institutions clearly included the third sector among the resources available to face the substantial changes in the European economies, and are moving towards a consideration of the associative economy as pivotal to a new model of employment and development. The European Trade Union Confederation has established links with the organisations representing the diverse world of the third sector, promising to strengthen these links in the future.

At the conclusion of this paper we would like to point briefly to the paths which seem to us most promising, and where, in our opinion, the accents of a European-level policy towards the associative sector should be placed.

A better knowledge of the third sector

As a preliminary step towards any comprehensive strategy towards the European third sector, involving the trade unions or not, it is necessary to improve our knowledge of the sector itself, which is still rather confused. The European Commission should be charged with this task, by improving, substantially, the survey started by EUROSTAT and the Commission's Social Economy Unit some years ago. In fact, it seems necessary now to develop an adequate operative definition which would be able to overcome the changing delimitations that are current in the single member states and would establish the necessary homogeneity.

Proposal of legislative models

Also at the Community level, it would be useful for the European institutions to develop legislative models, also in regard to fiscal questions, to be proposed to the member states, as a contribution to the harmonisation of the regulation of the third sector in the areas in which such harmonisation seems opportune. The possibility to "Communitarise" the legislation on nonprofit organisations is made easier by the fact that it is incomplete and unsatisfactory in several member states.

A European Fund for nonprofit initiatives

It would be useful to study the possibility of creating, in the context of the existing funds or even *ex novo*, a fund exclusively devoted to the promotion of nonprofit activities. The specificity of these activities, and particularly their irreplaceable role in social innovation, should be recognised concretely by removing a part of the opportunities for Community funding from competition by traditional businesses. The

⁸As in 1995, when the authors of this paper, in a report prepared for the European Commission, suggested the adoption of some of the measures at present on the agenda of the European institutions and of the social partners at the European level (see Archibugi and Koenig Archibugi, 1995).

European Commission should insist that the target of this kind of funding be decided at the Community level, rather than be left to the discretion of intermediate bodies. For the reasons expounded in the present paper, the richness of organisational experience possessed by the trade unions should be exploited by paying a special attention to the initiatives proposed by them.

The pilot action “Third System and Employment” could represent the nucleus of this special fund. We hope the evaluation of the model experiences is followed by a substantial increase of the allotted resources, which at present are inadequate.

The promotion of training

In the context of the fund for the third sector, which has been proposed here, a substantial share of the resources should be devoted to training. The European Commission could: (1) start research into the needs relative to the development and diffusion of managerial skills for the third sector, (2) promote pilot initiatives on nonprofit manager training, and then (3) study the possibility of large-scale co-funding of this kind of training, by private and public institutions, and above all by “second-level” nonprofit organisations and by trade unions.

The reflection on the trade union’s role

For the reasons expounded, we think that the future of the associative economy is closely linked to the character of its relations to the trade unions, and *vice versa*. It is thus important to further the reflection and the knowledge of this relationship. It would be opportune both to stimulate the general reflection on subjects such as the link between working time reduction and third sector development, and to set in motion the in-depth research into the various concrete experiences, which take place mostly at the local level and escape evaluation. EU institutions and the interested organisations which operate at the European level should meet to examine thoroughly these themes, possibly setting up standing research and dialogue bodies (the European Centre for Industrial Relations in Florence would be an appropriate seat for this activity).

Launching a European social dialogue on the third sector

In the long run, the ambition would be to institutionalise the communication between European institutions and the organisations representing the associative sector. Even though concrete third sector experiences take place normally at the local level, the design stage would, in fact, gain in quality and effectiveness if it would occur at the European level, in order to facilitate the exchange and transfer of experiences and opinions among all countries of the Union. It would also serve to harmonise decisions from the very beginning with the likely expanding Community social policy. Thus the possibility to start a “European social dialogue on the third sector”, in which the social partners can define their role in the development of this social sphere, deserves to be considered with care.

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