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### **SOCIAL ECONOMY AND THE GREEK WELFARE STATE: CAN POLANYI HELP US?**

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## **ABSTRACT**

Addressing social enterprises within the scope of the social economy debate raises important questions with regard to the working hypotheses underlying research projects. Rephrasing Fine's critique on the concept of social capital (2001), we can address the following question: Is there an asocial economy? This positioning raises the question of embeddedness. If economy is always embedded on social relations, why add the term social in front of economy? The concept of embeddedness dates back to the work of Polanyi who, however, used the term in a dual way (Gemici, 2007), namely both as a "methodological principle" (holistic approach, economy cannot be studied without recourse to social relations), and as a "gradational concept" (some economies are more embedded on social relations than others).

If we adopt the first approach, then we can actually enrich research on Work Integration Social Enterprises by unfolding their particular manifestation in specific socio-economic formations. This involves a dialectic move from the macro (socio-economic formation) to the micro (social enterprise) level: WISE are shaped and shape welfare state trajectories, intermesh with both labour and product markets and appeal to value-driven behaviour. However, these linkages do not correspond to distinct modes of integration (distribution, exchange, reciprocity) in a one-to-one way. Especially, in countries such as Greece which manifest certain peculiarities (dual type welfare state, clientelistic networks, underdeveloped social movements for and/or from the excluded), we may find that isomorphism (mainly with the state) brings about clientelism and exclusion of the supposed beneficiaries at the work place. However, for these potential findings to show up, we need to readdress empirical analysis by allowing explicitly for the voice of the beneficiaries, namely vulnerable social groups working in these entities. That is, we have to incorporate the power distribution dimension.

## **KEYWORDS**

Social enterprises, political economy, welfare state, Greece

## **INTRODUCTION**

The definition of the social economy field presupposes certain acknowledgements which are taken for granted in order to allow for further research. For example, the very concept of the social economy raises important questions. Rephrasing Fine's (in Tsakalotos, 2004) critique on the concept of social capital, we can address the following question: Is there an asocial economy? This positioning raises the question of embeddedness. If economy is always embedded in social relations, why add the term social in front of economy? Polanyi (2007) claimed that the "Great Transformation" which was introduced by the industrial revolution involved the separation of economy from society and the associated subversion of the latter to the former. Despite the great contribution in deconstructing an ahistorical view of society articulated by the neoclassical paradigm where all societies (pre-capitalistic and capitalistic ones) can be analysed through the lenses of self-interested, calculative individuals, there is an inherent contradiction in the use of the concept of embeddedness. As Gemici (2007) stresses, the problem lies in the dual use of the term both as a "methodological principle" (holistic approach, economy cannot be studied without recourse to social relations), and as a "gradational concept" (some economies are more embedded in social relations than others). It is not within the scope of this paper to resolve this contradiction. We will simply highlight the artificial separation of economy and society in the dominant scientific paradigm and attempt to structure research in social economy and social enterprises in Greece through a holistic approach.

The paper is structured in the following way. The first section summarises the theoretical approach to the third sector and social economy within the European context which draws heavily on the Polanyian work and the schools of economic sociology and institutionalism. The second section addresses questions regarding the validity of attaching each mode of integration to a specific pole (sphere), namely exchange-market, redistribution-state and reciprocity-community. These questions are further illustrated in the third section through an overview of the Greek welfare state development. The fourth section incorporates the questions raised within the context of the Greek welfare state and proposes working hypotheses for the examination of their interaction with social economy initiatives and in particular Work Integration Social Enterprises. We highlight the importance of conducting empirical surveys which explicitly aim at unfolding the voice of the beneficiaries for both normative and methodological reasons.

### **1. SOCIAL ECONOMY AND POLANYI REVISITED**

The European approach to third sector and social economy draws heavily on the Polanyian substantivist theoretical approach to the economy (Laville et al., 1999; Adaman & Madra, 2002). The main idea is that economy is not restricted to market and the associated principle of exchange, but it also includes the principles of redistribution and reciprocity (Polanyi, 2007). In addition, the market and the associated principle of exchange "is not necessarily embedded in the social system, contrary to the other economic elements..." (Laville et al., 1999, p. 7). Redistribution presupposes the centrality of an institution-authority which assigns obligations and duties and allocates in kind and cash benefits. Reciprocity is necessarily embedded in

social relations, because it is "based on donating as a basic social fact" (Laville et al, 1999, p. 7) or the acts of gifts and counter-gifts in Polanyi's terminology. Reciprocity presupposes an enabling institution of symmetry, which entails that each party receiving a donation has an incentive to reciprocate but is not obliged to do so by a central authority. Finally, Polanyi describes the principle of domestic administration where production is undertaken for the autarchy of the unit (whether it is the family, the village, the feud). Given the closed unit of analysis, this principle can be subsumed in the principle of reciprocity already stated above (Laville et al., 1999; Laville, 2003) or according to other scholars in the principle of a small-scale redistribution (Schaniel & Neale, 2000).

This typology of economic principles is in turn correlated with three different types of economies (Laville, 2003). The principle of market exchange characterises the market economy, where the price mechanism is the allocating device of goods and services. The principle of redistribution characterises the non-market economy which denotes mainly the function of the welfare state. Reciprocity is the main operating principle in the non-monetary economy where the practices of gifts and counter-gifts are exercised by agents placed symmetrically in a symbolic network. Apart from family relations, examples of economic activities which belong to the non-monetary economy include donations in kind to self-help groups, volunteer work in community care centres, etc.

Having restated Polanyi's theoretical framework, it is necessary to position the third sector and social economy in this typology of principles and poles. At this stage, it is important to note that the attachment of one principle to each pole of the economy does not necessarily imply that each pole is disintegrated by the other two. For example, the market economy benefits from redistribution in the form of business grants. What is argued by the scholars adopting this analytical framework is that each pole is dominated by a certain operating principle and the other principles are subordinated to the dominant one. Hence, "the distinctive feature of the market economy is the priority given to the market and the subordination of the non-market and non-monetary contributions to it." (Laville et al., 1999, p. 9). This over-determination of each pole by a main operating principle is also transcended to the whole of the modern capitalist economy where the non-market and non-monetary poles are subordinated to the market economy. The non-market is considered supplementary and the non-monetary residual.

The third sector then is theorised as the pole of the economy which is a hybrid formation operating in the interface of the market, non-market and non-monetary economies and in tension with their hierarchical structure (the dominance of the market economy and the subordination of the non-market and non-monetary economies). However, there is a slightly different version of this argument in the work of other scholars (Adaman & Madra, 2002) who identify the third sector with the non-monetary economy and the operating principle of reciprocity, even though they acknowledge that the third sector can also receive redistributive grants and/or involve market exchange.

At this stage, we would like to highlight the merits of this substantivist approach to the economy before we raise important questions for further research in the next section. First of all, it allows for the pluralism or preferably diversity of economic activities to come into surface. That is, monetized market exchange motivated by profit is not the only economic activity performed in the modern world (Williams,

2004). Other practices co-exist including local exchange systems, barter, cooperative, non-profit, volunteer, communal etc. The importance of acknowledging the multiplicity of these practices is twofold: 1) in the words of Gibson-Graham (1996 cited in Community Economies Collective, 2001, p. 3), "representations of capitalism constrain our political imaginations and economic possibilities", p. 2) the illustration of diverse economic activities opens up spaces to envisage, construct and enact solidaristic projects or liberatory alternatives (Adaman & Madra, 2002, Harvey cited in Mendell, 2008). Second, this theoretical framework allows for the interconnections among the different economic sectors to become visible. In this perspective, the market economy is built on the un-paid provision of labour in the form of care services provided by women in the household non-monetary economy (Schaniell & Neale, 2000). Third, it enables the construction of theories which are not founded on the properties of the self-interested, calculative profit-maximizing individual. Hence, it allows for theoretical conceptualizations which do not treat social economy initiatives as quasi market (in the utility function we incorporate the variable contribution to the common good), as a pathology (mutual aid societies exist because no market has flourished so far in certain fields) or as an adequate supplement due to the failure of the market or the state (Adaman & Madra, 2002).

## **2. AN ATTEMPT TO RE-UNITE ECONOMY AND SOCIETY**

In this section, we would like to raise important questions in order to allow for the above outlined theoretical framework to guide our empirical research of social economy and social enterprises in Greece. Our intention is not to resolve the observed contradictions in the Polanyian theoretical framework (we do not even possess the knowledge and capacity to do so), but simply to highlight these questions which possibly affect the theoretical conception of the social economy.

The first issue to be addressed is the afore-mentioned concept of embeddedness. Polanyi (2007) argued that the establishment of the self-regulating market entails the separation of economy from society and in particular the subordination of social relations to the market logic. If this position is correct, then the alleged embeddedness of economy in social relations as claimed by Polanyi is not a methodological principle but a gradational concept shifting over time and over places (Gemici, 2007). If we accept the alleged separation of economy from society under market capitalism, then the critique to neoclassical economics for its tendency to observe selfish calculative behaviour everywhere is seriously curtailed. If economy is separated from society under market capitalism, then it is plausible to picture economy through the methodology of the neoclassical paradigm. In this regard, even social economy initiatives as distinct as Local Exchange Trade Systems and/or Social Cooperatives do not invoke other operating principles. They can be theorised as by-products of market failures (in tackling poverty or social exclusion).

More importantly, the problems are not entirely solved even if we adopt the methodological principle direction. First of all, even in Granovetter's reconceptualization of the embeddedness concept, an implicit dichotomy between the spheres of economy and society is assumed by explicitly stating that "economic action is embedded in structures of social relations" (Granovetter, 1985, p.481, cited in Gemici, 2007, p. 27). Swedberg (1986) was probably correct in identifying the crisis of the economy and society paradigm which meant that economics deal with economy, politics with the state and sociology with the left-overs. Second, by adopting embeddedness as a methodological principle, we still do not possess a

complete theoretical framework in order to explain how economic action is structured by social, cultural and historical factors.

Marxian political economy attempts to resolve the need for this holistic approach towards the economy and society binary. However, there is an unresolved tendency regarding the economic determinism of the Marxist school, with criticism focusing on the alleged reduction of all social phenomena to the base, the sphere of production (for example Dalton, 1981 cited in Özel & Yılmaz, 2005). Other scholars attempt to reconcile the Marxian and Polanyian analytical frameworks by demonstrating the affinity of the concepts in use. For example, Özel & Yılmaz (2005), argue that there seems to be an analogy between what Polanyi identifies as operating principles and their respective institutional structures and what Marx identifies as forces of production and social relations of production. In addition, the countermovement which underpins Polanyi's historical narration in *Great Transformation* "can be personified as the action of two organizing principles in society...having the support of definite social forces ... The one was the principle of economic liberalism...relying on the support of the trading classes...; the other was the principle of social protection...relying on the varying support of those most immediately affected by the deleterious action of the market --primarily, but not exclusively, the working and the landed classes...." (Polanyi, 1944 in Özel & Yılmaz, 2005, p. 6).

This paper does not intend to enter into debates of the type what Polanyi and Marx really meant. Our intention is to offer insights which could possibly enrich our theoretical framework for analysing social economy initiatives. As Schaniel and Neale (2000) note one has to be careful when trying to identify different operating principles with different spheres of the economy/society binary. By using the examples of an Indian farming village and of Maori communities, they demonstrate that the mapping of specific operating principles with institutional structures cannot be implemented mechanistically. A mode of integration does not explain the power relations which underlie the units of analysis. Reciprocity is not synonymous with generosity; it can also be exercised within a framework of uneven and exploitative relations (Adaman & Madra, 2002).

This final remark is of particular importance for the examination of social economy initiatives in Greece. Since social economy initiatives are strongly affected by the welfare mix underplay in each social formation (Evers & Laville, 2004), the historical development of the welfare state offers important analytical insights which have to be examined. If the type of redistribution implemented by the welfare state in Greece is significantly different from its counterparts in continental Europe and the Scandinavian countries, this might also invoke a different type of reciprocity under way in social economy initiatives. The following section offers some introductory remarks with regard to one of the explanatory variables, namely the Greek welfare state.

### **3. THE GREEK WELFARE STATE: IS THERE ONE?**

There is already an extensive literature on the existence of a Southern European model of welfare which includes Italy, Spain, Portugal and Greece (Ferrera, 1999). In the typology of "the three worlds of welfare capitalism" provided by Esping-Andersen (2006), there is no particular reference to a distinct welfare model since the only Southern European country examined, Italy, is included in the corporatist continental European welfare regime. The belated development and the infancy of the model of welfare in Spain and Portugal led Esping-Andersen to ask if there is a

genuine welfare state at all due to the residual role of the envisaged provisions (1992, quoted in Katrougalos, 2004, p. 181). However, Ferrera (1999) claims that there is a distinct welfare model in Southern Europe which is defined by the following characteristics:

- Priority is given to income transfers that are strongly fragmented according to membership in specific professional groups/class sections. This leads to an accentuated dualism between the insiders in the formal labour market and the insiders in informal labour market and/or the unemployed.
- Imbalance in the provision of social protection with an over-provision to the elderly (in the form of pensions) and under-provision to family (both in money transfers and services availability) as well as inadequate housing policies.
- A contradictory to the overall social protection fragmentation establishment of universal health care.
- A low level of state penetration in the provision of welfare even in fields such as health care where universal systems are established which entails a particular form of public-private interests' articulation.
- Institutional favouritism which in many cases takes the form of overt clientelism and the establishment of patron mechanism in the welfare state for the allocation of money transfers to "beneficiaries".
- A low level of efficiency in the welfare state which can be attributed to low professionalism of public sector employees, clientelistic networks in the allocation of job positions and in the internal organization of labour within and between various state services.
- An imbalanced allocation of taxes towards the various professional groups/class sections, pervasive tax-evasion and large size of the informal economy.

Despite the disagreement (Karamessini, 2008) concerning the existence of a distinct model of welfare in Southern Europe (Petmesidou, 1996, Ferrera, 1999, Sotiropoulos, 2003 and 2007) or the inclusion of these countries in the corporatist continental European welfare regimes with the extras of belated development and statist traditions (Katrougalos, 2004), most scholars agree with the above-mentioned features of the Southern European model. More importantly, it is argued that these features are aggravated in the case of Greece (Matsaganis, 1999).

In conjunction with the previous section on the theoretical conception of the social economy, we will try to illustrate how the development of the Greek welfare state and its particular mode of redistribution may affect the development of a vibrant third sector. In the rest of the section, we will present the main arguments articulated by scholars as an explanation for the prevalence of this specific type of welfare state.

In general, differences in welfare state development trajectories can be attributed to various explanatory variables in accordance with the theoretical underpinnings of each school of thought (Esping-Andersen, 2006, Stasinopoulou, 2000). The functionalist approach focuses on the requirements brought about by the industrialization process (proletarianization of the rural populations, urbanization, and destruction of pre-capitalistic forms of community care) (Flora and Alber, 1981 and



Pryor, 1969 in Esping-Andersen, 2006). In order for the system to function, there is a need to address the newly emerging urgent social needs. However, this approach cannot explain the significant delay in the establishment of welfare states (50-100 years after the industrialization phase) and/or the residual welfare state in the first advanced industrialised country of Europe, Britain. The Marxist structuralist school highlights the importance of the welfare state for the reproduction of the whole capitalist mode of production (O' Connor, 1973 in Esping-Andersen, 2006 a). There is an inherent contradiction in the capitalist system because needs are collective but surplus value is appropriated individually. The welfare state tries to balance between two contradictory functions: the support for the process of capital accumulation through social investment-welfare programs and social expenditure for consensus building. In order to do so successfully, it must stand quite autonomously towards the interests of the competing capitalist sections (Poulantzas, 1968 in Petmesidou, 1987). However, apart from an implicit functionalism underlying this way of thinking, we cannot explain variations between social formations whereas classes and social movements are left out of the picture.

The institutional approach, as we have already seen in the previous section, draws on the work of Polanyi (2007) and claims that the welfare state is an attempt to re-embed economy in social relations in order to counterbalance the deleterious effects of the self-regulating market. The institutional approach offers important insights regarding the operating institutions, but in many cases fails to uncover the social protagonists (classes, social movements) which articulate specific demands towards the dominant classes. On the other hand, theories which focus only on the size and/or power of the working class are also criticised on several grounds (Esping-Andersen, 2006). First of all, there is the problem of definition and measurement of the working class (Edgell, 1993; Moschonas, 2005) especially in the context of the tertiarization process in current economies (Laville, 2003). But even if we sidestep this issue by appealing in general to the dominated classes, what could possibly signify the power of the dominated classes, powerful trade unions and/or more seats taken by social democratic or left-wing parties in the parliament? (Esping-Andersen, 2006). Pierson (2000) incorporates the findings of many scholars which argue that the welfare state is also a by-product of the employers. It is not always the case that employers are opposed to any social policy. Once the key welfare state institutions are put in place, they may as well develop strategies in order to affect the social policy mix. Finally, the gender dimension is seriously ignored when by referring to the working class we automatically imply the male breadwinner of the family unit (Pierson, 2000; Laville, 2003).

The previous schools of thought are to a large extent represented in the explanations provided for the belated development of the Greek welfare state (Sotiropoulos, 2003). For example, a marxist functionalist approach is to be found in the incomplete pace of the industrialization process which led to the preservation of pre-capitalistic modes of production (petty commodity production, family agriculture) and care (family and local self-help networks), and the temporal availability of cheap labour power (Moschonas, 1986, Alexiou, 2008). In addition, and in contrast with the state of affairs in Western Europe, the state opted for suppression instead of consensus building and selective allocation of jobs and housing to the supporters of the status quo (Maloutas & Oikonomou, 1988 in Sotiropoulos, 2003). Apart from the economic determinism of this approach, it also fails to give a proper account of the special features of the Greek welfare state and in particular the uneven and

fragmented type of social protection. Moreover, the argument that the existence of family support structures is a cause for the underdevelopment of social policies could easily be reversed with the claim that the preservation of these structures was a consequence, a social response, to the uncovered social needs (Petmesidou, 1987). Another theoretical version focuses on the small size of wage labour, the large size of informal labour, the slow geographical coverage of social insurance institutions, the subordination of labour regulation to short-term accumulation gains (Chletsos and Robolis, 1990 in Sotiropoulos, 2003). They also share a common interest with the previous school regarding the lack of a fordist model of industrial production in Greece in comparison with Western Europe. However, the criticism provided by Esping-Andersen (2006) regarding the validity of the size of the working class as an explanatory variable is also sustained in this case. Still, we have no theoretical explanation for the special type of the Greek welfare state.

A more socio-political approach has been articulated by Petmesidou (1987) based on a critical examination of theories addressing the relative underdevelopment of Greek capitalism and the class structure of the Greek society after the period of the struggle for independence. The main argument presented is that the lack of a dominant class created in the realm of economy during the creation of the Greek national state led to a specific interweaving of the economic and political. In particular, the state apparatus became the main mechanism for allocating economic gains and for the actual creation of a dominant capitalist class. This antagonism around state resources is not restricted to the dominant class but is also diffused to sections of the middle classes in conjunction with their relative position in the patron-client networks. The distinctive feature of this approach to patron-client networks is that it explicitly incorporates the power distribution dimension and the importance of class relations. Thus, patron-client networks are not simply a response of the dominated in order to raise demands and foster social cohesion (Campbell, 1864 in Petmesidou, 1987), neither a mode of social control imposed by the dominant class (Mouzelis, 1977 in Petmesidou, 1987). They define class boundaries in society. Sotiropoulos (2003) argues that the concept of clientelistic corporatism (articulated by Tsoukalas, 1986 in Sotiropoulos, 2003) describes properly the Greek welfare state. The explanatory variable is the differential access of various social groups mainly coming from the dominant and middle and to a lesser extent the lower classes to state resources. The turbulent history of the Greek state has also played a major role, since the end of the World War II was succeeded by a civil war, the political isolation and persecution of communists and leftists, and their exclusion from social rights and job positions in the state services.

We will not proceed with an in-depth critical examination of this theoretical formulation at this stage because it is beyond the scope of the paper. For the time being, we will simply recapitulate the main arguments in order to advance our discussion for a theorization of social economy initiatives which takes into consideration territorial specificities. The specific form of redistribution implemented by the Greek welfare state entails the strong presence of patron-client networks which define class boundaries in society among those with access and those without access to the state apparatus. This practice fosters an uneven and fragmented picture of social protection with numerous insurance agencies and uneven provisions among the different professional groups (Katrougalos, 2004), leaves specific sections of the population unprotected (women, unemployed, immigrants) (Sotiropoulos, 2007), increases the size of state services in response to demands for jobs and not to identified social needs (Petmesidou, 1987), and is highly inefficient in reducing social

inequalities (Papatheodorou, 2003). Finally, it further paves the ground for the articulation of particularistic demands along vertical (patron-client) as opposed to horizontal (class and/or collective identity) lines. This point is of particular importance for the development of a vibrant third sector.

#### **4. SOCIAL ECONOMY AND WELFARE STATE IN GREECE**

Social economy as part of the highly controversial term third sector (Kramer, 2004) is strongly shaped and in turn shapes the welfare state (Evers & Laville, 2004). These linkages apart from their formal representations (legal forms for its various components, tax privileges and exemptions, contracts, grants, in-kind contributions) also involve a close interconnection among representatives of social economy entities and state agencies, individually or through more collective channels such as platforms and committees. These relations in turn shape policies, circulate small or large amounts of financial gain, produce prestige and are often demonstrated through the mass media and finally create concepts and beliefs.

For all these reasons, factors such as prevailing conceptions of the role of the state (liberal democratic, fascist), political parties, dominant policies (especially but not exclusively social policies), administrative strategies, organizational aspects, professionalism and labour relations in the public sector affect and are affected by their intertwining with fractions of the third sector. Therefore, it is important to explain for the case of Greece how the description of the welfare state we provided in the previous section is expected to interact with the construction of social economy initiatives.

Most scholars seem to agree with the relative underdevelopment of the third sector in Greece. This position holds in the literature for all the troubled concepts including civil society, third sector, social economy, non-profit sector, voluntary sector (Sotiropoulos, 2004, Chrysakis, et. al., 2002, Sklias & Houliaras, 2002, Panagiotidou, 1999, Polyzoidis, 2006). At least this is the case for the institutionalised part of them, since Sotiropoulos (2004) argues that the non-institutionalised civil society is significant, whereas Chrysakis et al. (2002) claim that the Greek social economy should be enlarged with local partnerships created in the framework of EU funded Programs such as Horizon, Integra, Youthstart, Now, Leader, etc. In any case, what has been strictly identified in international bibliography as social economy is underdeveloped in Greece in comparison with European standards. Why?

Some authors support that the underdevelopment is due to an omnipotent state and the importance attached to political parties as modes of political participation (Mouzelis, 1987, Mavrogordatos, 1988, Lipovats, 1993 in Sotiropoulos, 2004). This is possibly correct but still why should there be only a zero-sum game between the state and civil society in the first place (Sotiropoulos, 2006). Isn't there space for all? Social economy initiatives may have strong affiliations with political parties (as has happened in Continental Europe, Evers & Laville, 2004) and still thrive in various aspects of social life. It is also supported that the underdevelopment of the Greek welfare state should take the blame (Chrysakis et al. 2002). But here the argument is reversed; it is the reduced specific functions of the state which explain the underdevelopment. However, this has not prevented another country of the Southern European model to develop a vibrant third sector in the 90s (Borzaga, 2004).

We suggest that the answer could be better explored if social economy initiatives are broken down to their components and explore their particular development

trajectories over time in conjunction with the different phases of the Greek welfare state. This research direction has already been adopted in the European context (Evers & Laville, 2004). The main reasoning is that each component (i.e. cooperatives, mutuals, associations) is expected to have different cleavages with the welfare state.

The focus of our research interest is on Work Integration Social Enterprises because, among other reasons, they (at least in the European research agenda) comprise a research field "at the crossroads of market, public policies and civil society" (Nyssens, 2006). That is, even though the third sector itself is conceptualised as an intermediary area between the community, the state and the market in the pluralist vision of the economy, WISE are expected to demonstrate this hybrid character more explicitly in terms of multidimensional governance, multiple goals and multiple resources (Defourny & Nyssens, 2006). In order to explore how the highly politicized (in terms of dominant political parties' interference), fragmented (different ministries and agencies in charge of overlapping functions), clientelistic state agencies affect the development of WISE in Greece; we suggest the following working hypotheses:

- Top-down hypothesis

Whereas pioneering WISE developed in continental Europe in the 70s and 80s as a response to accentuated social problems (long-term structural unemployment and social exclusion) by "social workers, associative militants, representatives of more traditional third sector organisations, sometimes with the excluded workers themselves" (Laville, Lemaitre and Nyssens, 2006), the majority of WISE in Greece are probably policy-driven by the Greek welfare state. That is, it might be expected that in Greece there is not a gradual institutionalisation process whereby autonomously created initiatives are officially registered and acknowledged as partners in the welfare policy mix but a reverse trend where WISE are shaped from the beginning by welfare state policies. Of course, we will probably need to draw a clear demarcation line between the protected productive workshops created in the framework of philanthropic state institutions (i.e. for the disabled) where trading activity is of symbolic nature, and more market-oriented social enterprises. This demarcation line has been also adopted by the EMES Network in the framework of the PERSE Project (Defourny and Nyssens, 2006). This top-down hypothesis can be tested by carefully studying the history dynamics of their establishment, in particular the composition of initial governance structures, the adopted legal forms, and their initial resource base. It is also important to explore the extent of state isomorphism. If the created WISE were from scratch attached to the state apparatus in various ways (start-up grants, contributions in kind, assignment of public sector health and social care professionals to social enterprises, sales exclusively to the public sector), to what extent have they managed to restrain from a bureaucratisation process and yield different results in the provision of services?

- Europeanisation hypothesis

Many scholars in Greek social policy (Petmesidou, 1996, Chletsos, 1999, Gravaris, 2003) have identified the effect of the Structural Funds (and most notably of the European Social Fund) on social and labour market policies in Greece. The introduction of new active labour promotion policies after the end of 80s in a context of hardly existing or inefficiently operating Keynesian type measures for the protection of employment (Gravaris, 2003), led to an ad hoc proliferation of public-private synergies "without planning, without a developmental and social policy orientation and, consequently, without any substantial impact on the enhancement of

human resources" (in the words of an ex-minister of labour)" quoted in Petmesidou, 1996, p. 342). The availability of EU funds led to a sudden proliferation of non-profits with dubious operations and project results. The question is not simply whether EU Projects targeting explicitly the social economy sector (i.e. EQUAL) led to a sudden proliferation of social economy initiatives (a case which has been already documented for social enterprises targeting people with mental health problems, Synergia, 2003). More importantly, the interest lies on the exact mix of funds' allocation (which agencies/services were implicated, what type of project activities were envisaged and implemented – studies or infrastructures, what type of project results were produced – how many social enterprises were created, how many beneficiaries were involved, what happened after the end of the project, etc.).

- Fragmentation hypothesis

The above-mentioned fragmentation of the Greek welfare state where different ministries and state agencies have overlapping functions, is expected to affect the development trajectory of social enterprises in multiple ways: through the inadequacy or multiplicity of regulatory frameworks, the lack of clear communication channels between the third sector and public representatives, the multiplicity of agencies in charge of soliciting grants for social economy initiatives. This trend of ad hoc relations among social enterprises and fragmented state agencies is expected to erode the potential for planning and implementing a suitable resource mix in order to ensure sustainability. In turn, these conditions may produce a patchy picture where social enterprises flourish on the basis of short-term planning and goals (project bias), are dissolved after the end of the project and re-emerge when funding becomes available again.

- Clientelism

Apart from highly fragmented, state agencies seem to be also politicised and clientelistic. Lyrantzis (1983 in Sotiropoulos, 2004) argues that the traditional patron-client networks where each patron is related to a number of clients-voters were transformed after the end of the military regime (1973) to a more bureaucratised form through the dominant political parties' mechanism. Another important aspect is that electoral changes lead to multilevel changes in the state agencies which do not only involve the upper public sector representatives but usually extend until the middle strata and quite often to the lower strata. These aspects taken together are conducive to unstable particularistic relations among representatives of state authorities and third sector initiatives. These relations, apart from resulting in the uneven allocation of state resources towards affiliates and against social economy initiatives which may actually produce an added social value, are highly unstable over time. More significantly, they are not conducive to the creation of a collective identity on behalf of the third sector since each initiative invests in building particularistic communication channels instead of demanding in a collective manner. This clientelistic redistribution may also replace the alleged reciprocity of third sector initiatives. That is, social enterprises may actually perform the task of work integration for the relatives of public sector and/or third sector representatives and not for the excluded in the name of which the grant was provided in the first place.

In order for these working hypotheses to be seriously tested we need to come closer to the research field, namely Work Integration Social Enterprises. We need to withdraw from preconceptions which map different spheres with different operating principles or re-signify the latter in their specific manifestations in a given socio-economic

formation (Moulaert & Nussbaumer, 2005). If the specific type of redistribution implemented by the Greek welfare state is seriously party-dominated, fragmented and inefficient, this might also affect the inner working of the third sector. Reciprocity may actually be in use but entail particularly uneven and exploitative relations with the deprived moving from vocational training programme to short-term work integration activities "in return for a meagre benefit" (Petmesidou, 1996). For these reasons, we suggest that empirical surveys should actually target the voice of the assumed beneficiaries. The percentage of employees coming from the excluded category versus the percentage of professionals employed in WISE is a necessary but not sufficient proxy for unfolding the internal working environment. Unfortunately, the few studies which have been implemented in Greece (i.e. Synergia, 2003) involve the completion of questionnaires only from the part of the board of directors and managers. Without disregarding the effort to map and examine a sector which goes largely unnoticed in the Greek academic world (at least until recently), we suggest that it is valuable to actually enact discussions with the beneficiaries themselves for two interrelated reasons: a) Research practices, especially but not exclusively in the field of social economy, should not reproduce the social exclusion underway in modern societies. b) The voice of the beneficiaries bears particular weight when it comes to the evaluation of the existing potential of social economy initiatives. Theoretical abstractions fail to capture reality unless we actually allow the latter to enter explicitly into our theory.

### **CONCLUDING REMARKS**

We strongly agree with the theoretical conception of a diverse economy where economic activities are more than material representations of profit-maximising market exchanges. However, a number of issues need to be resolved in order to enrich this theoretical conception and guide empirical research in specific socio-economic formations.

First of all, it seems more plausible to treat the concept of embeddedness as a methodological principle and not as a gradational concept. The latter leads to an artificial separation (the economy and society paradigm) which draws demarcation lines, assigns certain phenomena to certain disciplines (i.e. political science-state) and leaves the backdoor open for the neoclassical paradigm to offer its "objective" description of the economy. Even if we cannot demonstrate a coherent theory for the conceptualisation of social economy at this stage, it is worth highlighting possible directions for such an endeavour. As has rightfully been noticed by mostly the European scholars, the notion of a separated from the state and the market third sector is seriously flawed. It is better to think of intermeshing areas and treat social enterprises as hybrid formations which utilise community relations based on reciprocity, state redistribution and market exchanges.

Second, operating principles do not map in a one to one way with the distinct poles of the economy. Especially in countries like Greece where the state has been the main mechanism for the construction of a dominant capitalist class, market exchange and redistribution may not be that clearly differentiated as operating principles assigned to different spheres. If this analysis holds true, one might expect the intermeshing of areas to signify different development trajectories for both the welfare state and the third sector. Most scholars would agree that the welfare state in Greece demonstrates certain peculiarities in comparison with its counterparts in continental Europe and the Scandinavian countries. A picture of highly fragmented, uneven, inefficient,

clientelistic allocation mainly of money transfers is often portrayed for the type of redistribution implemented in Greece.

Third, welfare state shapes and is shaped by third sector initiatives. The latter may as well follow the same type of linkages with the state and reproduce the same features. It is better to withdraw from an implicit tendency to view social economy initiatives as inherently based on reciprocity, community relations and social capital. They might as well involve exploitative relations for the alleged beneficiaries at the work place, demonstrate bureaucratisation and reproduce clientelistic practices. A possible way to explore these hypotheses is to actually include in the empirical survey the voice of the beneficiaries. That is, we have to include the power distribution dimension.

Our interest in social economy lies in its potential to widen our horizons and help us envisage realities which are not subordinated to the logic of the self-regulating market. However, we need to explicitly state that these alternative projects are not developed in a vacuum. They flourish or get blocked in specific contexts which involve state authorities, private interests, class antagonisms, privileged and excluded groups on the basis of their race, gender, mental and physical condition. In this sense, instead of pluralism, we prefer diversity and by that we mean the power of certain projects to contrast with the dominant social relations.

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