

The Third Sector and the Policy Process in Germany

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Executive Summary: *Embryonic broad third sector forum starts to move beyond politically embedded Free Welfare Associations (FWAs) which dominate the social welfare domain*

In Germany there is no policy community oriented towards the sector per se, whereby policies are related to the country's entire third sector. Although very recently a cross-cutting forum has been established as an outcome of one of Germany's Commissions of Inquiry set-up by the Federal Parliament. The forum, in which amongst others numerous representatives of third sector organizations are participating, serves first and foremost as a platform for the discussion and dissemination of ideas and topics related to genuinely cross-cutting policy issues, such as the reform of Germany's charitable law.

Despite the lack of "pure horizontality" Germany is nevertheless equipped with a strong and durable governance arrangement in which, albeit restricted to the social welfare domain, third sector organizations are key-players, thus constituting a formally institutionalized and recognized "policy community" that is deeply bound up with, and enmeshed in Germany's conservative and corporatist welfare state. At the heart of this arrangement are the central associations of non-statutory welfare, the free welfare associations Caritas, Diaconia, Parity, Workers' Welfare Associations, German Red Cross, and the small Welfare Agency of the Jews, respectively.

The Historical roots of FWAs' political embeddedness: partnership at all stages of social welfare policy processes

From a governance as well as economic point of view and therefore with respect to both policy design and delivery terms, Germany's free welfare associations co-evolved with state institutions in the social welfare domain along with the development of the welfare state starting in the last quarter of the 19th century and coming to full proliferation at the heyday of welfare policies in the mid-1970s. Looking back upon a long tradition of public private partnerships concerning every stage of the policy process the associations managed to retain a position of economic prominence and political power despite significant changes in their political and economic environments which were triggered by external shocks. Amongst those were the "mega-event" of Germany's re-unification, the impact of the new social and self-help movements, the introduction of neo-liberal concepts and thus the commercialization of Germany's social welfare production, and finally the increasing impact of Europeanisation processes in some areas of domestic social welfare policy.

Understanding the prominence of FWAs in social welfare I: the pivotal role of constitutional structures

The reasons why the associations of non-statutory welfare were able to largely safeguard their pole position in Germany's welfare system are manifold. However, particularly those explanations account most prominently for the endurance of the cross-cutting coalition of the free welfare associations which are linked to the stable parameters which are constituting the building blocks of the governance arrangement and institutional architecture of Germany's welfare system. Amongst those are Germany's decentralized state which is counterbalanced by a highly organized society that is structured via membership organizations and peak associations such as the free welfare associations, the principle of subsidiarity which is enshrined in Germany's social laws serving as a guideline for policy processing, and finally the very nature of the free welfare associations that constitute special species of third sector-specific policy actors by being at least narrowly horizontal - in the sense of within the social welfare domain - and thus cross-cutting vertical policy fields by definition.

*Understanding the prominence of FWAs in social welfare II:
constitutional structures melded with societal values to perpetuate a supportive
interpretation of 'subsidiarity'*

The fact that up until now Germany is lacking an encompassing policy community oriented towards the broader sector per se, is clearly documented by the absence of a coherent epistemology being backed by collective nouns which serve as common frames of reference expressing shared meanings, norms and values. However, the collective and frequently used noun "free welfare associations" constitutes a generic term referring to the entire spectrum of organizations, service units, advocacy groups, local, national and sub-national organizations and initiatives which are members of one of the aforementioned peak associations. Their terms of operation are not restricted to industry-specific policies but are cross-cutting by definition, albeit restricted to the social welfare domain.

The principle of subsidiarity provides the normative underpinning of the generic term "free welfare associations". In the heyday of Germany's welfare state enlargement the principle, originally a concept of Catholic social doctrine pointing out that whatever the individual or small communities are able to achieve should not be done by higher-ranking institutions such as government entities, was heavily interpreted in favor of the free welfare associations. The principle of subsidiarity translated into a situation where from an economic point of view government was obliged to fund the services provided by the free welfare associations, while at the same time guaranteeing the associations full independence from state interference. Due to this very specific interpretation of the principle the free welfare associations developed into an economically and politically powerful "unified welfare-industrial complex" of social service provision. From a societal point of view the principle of subsidiarity is very much in accordance with the concept of a corporatist and highly patriarchal state which restricts financial support to a limited number of organizations which are affiliated with the free welfare associations and therefore eligible for public subsidies.

*Understanding the prominence of FWAs in social welfare III:
A willingness and ability to reform and evolve in response to changing political and social
conditions*

Although today the principle of subsidiarity is no longer as strongly in place as during the decades of Germany's welfare state expansion, it nevertheless continues to be used as a term of reference providing the most important rationale for public policy processing in the social welfare domain. A case in point was the re-organization of social policy in East Germany after unification that resulted in a massive enlargement of the terrain of operation of the free welfare associations. With respect to decision making and policy shaping in the light of Europeanisation German government again turns to the free welfare associations for policy advice, advocacy and policy implementation. In a nutshell, external shocks endangering the prominent position of the free welfare associations in the social welfare domain are either counteracted by processes of co-optation and thus by integrating the adversaries or by flexible adjustments and thus by adaptation to new procedures and logic of operation. The free welfare associations heavily build on co-optation and integration when they were faced by the challenges induced by the social movements and self-help groups. Confronted with neo-liberalism and commercialization getting a stronghold in Germany's public policy the free welfare associations after some time of insecurity and rejection embarked on a so-called reform course, thus adapting market oriented management procedures by streamlining governance and introducing marketing and controlling techniques for their membership organizations.

Acknowledgements

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1. Introduction

In Germany, there is no policy community oriented towards the third sector per se, whereby policies are related to the country's entire third sector. Very recently, however, a cross-cutting forum has been established as an outcome of one of Germany's Commissions of Inquiry set up by the Federal Parliament. The forum called "Federal Network for the Promotion of Civic Activities" (BBE), in which numerous representatives of third sector organizations participate, serves first and foremost as a platform for the discussion and dissemination of ideas and topics related to genuinely cross-cutting policy issues, such as the reform of Germany's charity law.

Despite the lack of "pure horizontality" Germany is nevertheless equipped with a strong and durable governance arrangement, albeit restricted to the social welfare domain, in which third sector organizations are key players, thus constituting a formally institutionalized and recognized "policy community" that is deeply bound up with and enmeshed in Germany's conservative and corporatist welfare state. At the heart of this arrangement are the central associations of non-statutory welfare, the German Free Welfare Associations: Caritas, Diaconia, Parity, Workers' Welfare Association, the German Red Cross, and the small Welfare Agency of Jew in Germany. These are peak associations and as such loosely coupled systems constituted by hundreds of membership organizations operating at the national, the sub-national and, primarily, the local level in Germany. From a governance as well as an economic point of view - and thus both with respect to policy design and service delivery - Germany's Free Welfare Associations co-evolved with state institutions in the social welfare domain. This development took place during the foundation of the welfare state, starting in the last quarter of the 19th century and coming to full proliferation at the heyday of welfare policies in the mid-1970s. Looking back upon a long tradition of public-private partnerships concerning every stage of the policy process, the associations managed to safeguard a position of economic prominence and political power despite intense changes in their political and economic environments that were triggered by significant external shocks. Amongst those

were the political upheavals of German history: the breakdown of democracy in the 1920s, the division of the country after the Second World War, and finally Germany's re-unification count most prominently.

The reasons why the associations of non-statutory welfare were able to keep their pole position in Germany's welfare system are manifold. However, those explanations, which are linked to the stable parameters constituting the building blocks of the governance arrangement and institutional architecture of Germany's welfare system, are most convincing. In a nutshell, path-dependency of public policy combined with the Free Welfare Associations' ability to adjust flexibly provide the bedrock for the stability of Germany's cross-cutting policy community in the welfare domain. As we will argue in the following, there are at least two indicators which point to a further strengthening of the well-established policy community in the core welfare domain centered on the Free Welfare Associations:

First, in the light of Europeanisation of social policy, the German government increasingly turns to the Free Welfare Associations for policy advice and advocacy. Second, against the background of far-reaching reforms of the German welfare state, the government has recently re-discovered and by now highly appreciates the potentials of the Free Welfare Associations to act as policy facilitators. Looking across these two developments demonstrates a clear and consistent pattern. Initially, the Free Welfare Associations considered changes in the economic and political environment as threatening developments that might put into question their pole position in Germany's welfare state arrangement, thus endangering the cross-cutting policy community in the core welfare domain. However, after a comparatively short period of insecurity, the associations came to grips with the new environment by starting an intensive interorganisational consultation process that has aimed at reaching a consensus for further action and joint procedures. The initial threat has been turned around and changed into a situation of policy opportunity, since the Free Welfare Associations are the most important private nonprofit service providers in Germany, which on top of their economic power are intensively interwoven and linked with other societal groups and political forces, such as the Churches and the political parties. In sum, the Free Welfare Associations add a strong "voice" to the German political discourse in the social welfare domain, which ultimately has a significant impact on the framing of the situation and therefore on further policy processes. Thus, there is no need for the Free Welfare Associations to form a specialist "advocacy coalition" in order to implement and to put forward their ideas because they are themselves significantly implicated in the very running of the system itself.

With respect to public policy, there is no doubt that the "Federal Network for the Promotion of Civic Activities", which acts primarily as a forum for discussion, is of minor importance compared to the powerful policy community in the core welfare domain, in which the associations of non-statutory welfare are key players. Nevertheless, from an epistemological point of view and thus regarding the use and spreading of collective nouns and expressions that serve as common frames of reference expressing shared meanings, norms and values, it is worth mentioning that up until now the public relations activities of the Network have been tremendously successful and far-reaching. Although in Germany, like in other countries, there is no overarching generic term that provides an "island of identity" for third sector organizations, the Network successfully managed to place and to popularize the terms "civic activity" and "civic engagement" as expressions, indeed concepts, which are affiliated with ideas of "strong democracy". While the use of the "principle of subsidiarity" as a concept and generic term is primarily geared towards the social welfare domain in Germany, "civic activity" and "civic engagement" serve as encompassing concepts. They are strongly linked to the notion of civil society as a generic term that is used to indicate both a desirable development towards the deepening of democracy and a governance arrangement in which the third sector and its civil society organizations have a significant say in each stage of the policy process.

In the following chapters we will discuss and outline how and to what extent the third sector and its organizations are integrated into the policy process of the country. Particularly, we will focus on the highly institutionalized cross-cutting policy community in the social welfare domain, of which the Free Welfare Associations are the anchor institutions. We will outline the prominent position of the associations against the background of the country's historical development. In particular, we will focus on Germany's welfare state arrangement which dates back to the late 19th century and in which, from the very beginning up until today, the associations of non-statutory welfare hold a key position with respect to policy planning and agenda-setting as well as policy implementation and evaluation. Against this background we will show in the following chapter that, similar to other countries, the very fact that up until now Germany lacks an encompassing policy community oriented towards the broader sector per se is clearly documented by the absence of a coherent epistemology. Nevertheless, Free Welfare Associations is used as a generic term in Germany referring to the entire spectrum of organizations, service units, advocacy groups, local, national and sub-national organizations

and initiatives that are members of the associations of non-statutory welfare. The principle of subsidiarity provides the normative underpinning of the generic term Free Welfare Associations. As outlined in the chapter “Definitions and Terminology”, the principle of subsidiarity is used with a very specific meaning in Germany, which is thoroughly geared towards the Free Welfare Associations. As already indicated, particularly due to the activities of the Network of Civic Activity, two other nouns connected to third sector issues have just recently become popular in Germany. These are “civic activity” and “civic engagement”, which are very much linked to notions of strong and participatory democracy, while the term Free Welfare Associations and the concept of subsidiarity look back upon a history of being part of a governance arrangement that the international literature tends to portray as being a “corporatist arrangement”. We will move on in chapter four to highlight the unique architecture of the governance arrangement in the social welfare domain. Although the "Federal Network for the Promotion of Civic Activities" does not constitute a policy community, we nevertheless will describe this recently founded organization as at least providing a forum for discussion of crosscutting policy issues related to the third sector. Chapter five will focus on hot issues of the third sector-specific policy agenda. Here several topics ranging from the postwar policy agenda of the Associations to their most recent policy entrepreneurship within the context of Europeanization will be highlighted. However, we will also draw attention to the activities of the "Federal Network for the Promotion of Civic Activities", which tries to promote the concept of civil society as a vehicle for a new understanding of citizenship and social responsibility. Finally, in chapter six we discuss why and how the Free Welfare Associations manage to keep their pole position in Germany's social welfare domain despite significant changes in their environment triggered by external shocks as well as far-reaching societal developments, which the international literature labels as features of modernization, individualization and globalization.

2. Historical Development

The pole position of the Free Welfare Associations in the country's social welfare domain is deeply embedded in the history of Germany. There are at least three important legacies - neo-corporatism and co-operative federalism, the Bismarckian welfare state, and public-private partnership – which up until today have proved a stable environment for Germany's institutionalized and highly recognized "policy community" in the social welfare domain. In

the following, those legacies of history are briefly outlined. Against this background the development of the Free Welfare Associations as key players of the social welfare domain during the eras of growth and retrenchment of the German welfare state will be discussed.

The legacy of history I: Neo-corporatism and co-operative federalism

It is the legacy of history that sets governance arrangements¹ in Germany apart from those in other European countries. In particular there are two political traditions dating back as far as the 17th and 18th centuries that still have a significant impact on the processing of policy in Germany: First, in sharp contrast to centralized absolutism, which – as in France – did not tolerate any associational life, German monarchs, and particularly those in Prussia, based their modernizing strategies on traditional guilds, voluntary associations and third sector organizations. The latter were acknowledged as legal entities as early as the 18th century under the condition that they serve the common weal, which since then has been exclusively defined by German state authorities (Anheier/Seibel 2001: 34). Accordingly, third sector organizations have been thoroughly integrated into governance arrangements from the very beginning of modern statehood in Germany. Indeed, the country stands out for a specific form of policy development, which in the international literature has been characterized as "corporatist" or "neo-corporatist" (Schmitter 1974; Lehmbruch 1996). Simultaneously, very much in accordance with its neo-corporatist embeddedness, third sector activity has always primarily been welcomed to take place "in the shadow of the state". Being neatly incorporated into modernization strategies from above, third sector organizations were welcomed by German state authorities for political steering. Or to put it differently: unlike in France or England, there has never been a clear-cut division between state and civil society in Germany. Since the beginning of modern German statehood in the 17th century, there has always been a very close co-operation between state entities, government agencies and third sector organizations in a variety of policy fields, thus forming specialized policy communities and tight policy networks. Amongst those, the policy community in the social welfare domain counts most prominently (Zimmer 1999).

Second, again unlike in France or England, the struggle between the modernizing state and traditional regional authorities was not resolved in favor of a centralized state in Germany. On the contrary, each peace treaty after the numerous devastating wars that took place on the territory of modern Germany reified a fragmented political entity that was finally transferred

and pacified into the "Federal Republic of Germany". Today the Federal Republic consists of sixteen Laender bound together by a specific governance arrangement, which Fritz Scharpf characterized as "Politikverflechtung", or co-operative federalism (Scharpf et al 1976). It translates into a situation in which the Federal Government and the Governments of the sixteen Laender have to work together in every respect – politically, as well as from an administrative point of view.

There is no doubt that Politikverflechtung has a significant impact on governance as the institutionally ordered arrangement for shaping the policy process in Germany. Indeed, there is to a certain extent a division of labor between the Federal, the sub-national and the local levels of government in Germany. In a nutshell: by and large local governments are responsible for policy implementation, whereas agenda-setting and decision-making are primary tasks of the Federal government acting in close co-operation with Germany's Second Chamber, the "Bundesrat" which constitutes the representative forum of the German Laender. However, the Laender as well as the communities have some room for maneuver with respect to policy implementation. Furthermore, as already mentioned, Germany stands out for a neo-corporatist governance arrangement in which bridging and bonding institutions facilitate the processes of bargaining and mutual adjustment within the various policy fields. According to the analysis of Peter Katzenstein, amongst the key conduits or facilitators of multi-level governance in Germany are associations and thus third sector organizations that are directly involved in the processes of policy formulation and implementation (Katzenstein 1987: 15).

In sum, federalism and neo-corporatism² constitute stable parameters of policy processing in Germany. Despite the country's turbulent history this framework has not undergone significant changes since its very beginning in the late 19th century. There is a remarkable continuity concerning the organization of policy processing in Germany, which at least has partially been underpinned and stabilized by third sector organizations, which were and are members of tight policy networks and communities. A case in point is the social welfare domain. The third sector policy community in the social welfare domain traces back its origins to the 19th century and very much co-evolved with the development of the German welfare state.

¹ Under the framework of TSEP governance refers to institutionally ordered arrangements for shaping the processing of policy at the key stages.

² For the classical definition see Schmitter 1976.

The legacy of history II: The Bismarckian Welfare State

With respect to welfare state development, Germany is without doubt a pioneer. As early as the 1870s the Iron Chancellor Bismarck introduced state regulated and contribution-based insurance funds that aimed at buffering the risks entailed in industrial work. In the decades to come, many other industrialized countries followed the German example, introducing contribution-based insurance funds. Thus, the German welfare state, financed by contribution-based insurances, which are organized as semi-public entities or *parafisci*, was characterized as the "Bismarckian Model" by the international literature (Steinmetz 1993). In the international literature it is primarily portrayed as being both insurance-based and putting a high emphasis on transfer payments such as pensions or unemployment benefits.

As outlined by welfare state researchers, the so-called "workers question" is at the heart of the "Bismarckian Model" and thus the German welfare state (Kaufmann 2003: 259). The modernizer Bismarck wanted to integrate the new social class of the skilled workers into the German Empire without endangering the traditional social structure of the country, which was still dominated by the nobility and the military. In sharp contrast to the United Kingdom, the struggle against poverty was not Bismarck's concern and therefore not a driving force of the development of Germany's welfare state.

Against this background, from the very beginning poor relief and any type of public intervention aiming at social inclusion was not perceived as a policy question that should be dealt with by the Federal Government. On the contrary, these social interventions were regarded as issues exclusively addressed by the communities and local governments. The reason Bismarck's insurance-based welfare state encompassed neither poor relief nor any type of public intervention aiming at social inclusion is a straightforward division between the "deserving" and the "non-deserving poor". The deserving poor - the workers - had to be protected against the risks accompanied with industrial labor, whereas the non-deserving poor - the *Lumpenproletariat* of the cities - did not merit state protection and thus were left to church or community charity. From the 19th century onwards, the distinction between the "deserving" and the "non-deserving" poor has been enshrined in the country's social laws. Up until very recently, caring for the "deserving" poor, i.e., the workers, was a primary duty of the Federal government, whereas poor relief was exclusively taken care of by local

governments.³ Due to the legacy of history of the Bismarckian welfare state, which puts a high emphasis on transfer payments, personal social services have up until recently not been acknowledged as a prime duty of the welfare state. By and large social services were and still are taken care of by the local communities, which since the very beginnings of the German welfare state have been working in close co-operation with third-sector-organizations, the membership organizations of the Free Welfare Associations respectively.

The legacy of history III: Public-Private Partnership in the Welfare Domain

In the 19th century in Germany, like in other industrialized countries, a variety of private charity organizations and social service institutions financed by donations and membership dues came into existence along with the industrialization and urbanization of the country. These local private charity organizations were the predecessors of the modern Free Welfare Associations. According to Sachße, Germany's late 19th century "local culture" of private welfare was thoroughly independent and at the very beginning not subject to any governmental directive.⁴ In other words, the forerunners of Germany's Free Welfare Associations "were a manifestation of private initiative and private philanthropy" (Sachße 1996: 150).

Simultaneously against the background of increasing poverty in the industrial centers of Germany, local governments also started to launch far reaching social reforms specifically addressing problems of the "undeserving poor". At the local level, public institutions were set up to take care of those who were among the most needy. However, already before the turn of the 19th century, the parallel development of "public" and "private" welfare that had taken place in Germany was met by a strong and growing critique. Particularly social reformers and activists asked for an improvement of social policy planning and therefore strongly supported the co-ordination of public and private welfare in Germany (Sachße 1996: 156). In the years to come, step by step a culture of co-operation between public and private welfare developed at the community level that served as the blue-print for the governance arrangement in the social welfare domain that still is in place today and that thoroughly links private and public welfare on every level of government.

³ Under the framework of the most recent reform of Germany's social laws the rigid distinction between poor relief and unemployment benefit has been partly abolished.

⁴ See Sachße 1996: 150 Footnote 3 with many examples of various German cities.

The very specific governance arrangement of Germany's social welfare domain, the architecture of which will be described in detail in chapter four, was fully institutionalized by government initiative as early as the late 1920s. At the heart of this arrangement are the Free Welfare Associations and their numerous member organizations, which since their very beginning were "hybrid organizations" in the sense that they participate in each stage of the policy process, agenda setting and service provision included. Most prominently their representatives are key actors within the specific policy networks in the social welfare domain that bridge the various levels of government. At the same time, their affiliated member organizations are prime providers of services at the local level and are thus heavily integrated in social policy implementation in Germany.

The Free Welfare Associations in Eras of Growth and Retrenchment

In accordance with other Western European countries Germany's welfare state looks back upon a history of modest beginnings at the turn of the 19th century, a period of significant growth that started after the Second World War, and full proliferation in the 1970s. Since then, social policy literature highlights the so-called crises of the welfare state. Because the Free Welfare Associations are deeply bound up with and enmeshed in Germany's welfare state, the strategy and structure of these specialist third sector-specific policy actors highly reflect the historical development of Germany's welfare state, which as such is a reflection of and deeply embedded in the political history and culture of the country.

In accordance with the history of the country, there are at least four very distinctive periods of political and societal development, each of which had a significant impact on the Free Welfare Associations as the most important third sector policy actors in Germany's social welfare domain. Those four periods are:

- the early beginnings and the establishment of the neo-corporatist arrangement
- the post Second World War "golden age" of welfare state growth
- the threat of commercialization and neo-liberalism starting in the 1980s
- and finally the current stage of ongoing so-called welfare state reform.

Early Beginnings

As already mentioned, the Free Welfare Associations, or the associations of non-statutory welfare as they call themselves, look back upon a history dating back to the second half of the 19th century (Sachße/Tennstedt 1988, Sachße 1995). With one exception each association stands for a specific ideological milieu and thus normative paradigm. Caritas and Diaconia are

closely affiliated with the Catholic Church and the Protestant Church, respectively. The Workers' Welfare Association (AWO) is interwoven with the German Social Democratic Party, and the German Red Cross is embedded in a conservative milieu. Only the Parity (Association of Non-affiliated Charities, DPWV) does not correspond to any ideological or political milieu (Boeßenecker 2005; for more information see chapter 4). As outlined in more detail elsewhere (Zimmer 1999), particularly the largest and most important associations in terms of employees and political influence - Caritas and Diaconia - were accepted as partners of public policy in the core welfare domain as early as the 1920s in order to bridge the religious cleavage of Germany's heterogeneous society. After the Second World War the very specific public-private partnership first established in the Weimarer Republic was re-institutionalized. In the early Bundesrepublik, the strong position of the associations of non-statutory welfare in the German welfare domain was primarily linked to their close affiliation with the Churches, which the Allies considered to be not thoroughly penetrated by Nazi ideology. This was especially the case for Caritas, which - as already mentioned - is closely affiliated with the Catholic Church. At that time, more specifically in the 1950s and 1960s, the German Free Welfare Associations and particularly Caritas and Diaconia were still deeply embedded in the Christian culture and milieu of the country (for more details see Hammerschmidt 2005). In the 1950s and 1960s the majority of the service units (hospitals, kindergartens, orphanages, etc.) of both Caritas and Diaconia were run by monks and sisters.

The "Golden Age" of Growth

Starting in the late 1960s from rather modest beginnings with respect to the number of service units and employees, the Free Welfare Associations developed into the most important social service providers beside government. Particularly after the Second World War, Germany's welfare state became a "big spender". Amongst the OECD countries, Germany has always ranked at the top with respect to its social expenditures. Interestingly enough, up until the late 1960s Germany's welfare state was much larger in terms of social expenditures than the Swedish welfare state at that time (Schmidt 1998: 80). Along with the growth of the German welfare state, the central associations of non-statutory welfare embarked on a course of massive expansion, which is indicated by the statistics of the associations (Schilling/Rauschenbach 1995: 337). This development had a significant impact on the very nature and culture of the Free Welfare Associations. Step by step, professionals, most prominently social workers, replaced clerical personnel as well as volunteers. From an economic point of view the ICNPO groups of health and social services, which constitute the

stronghold of activity of the Free Welfare Associations, became the most important segment of the German nonprofit sector as clearly documented by the data collected under the framework of the Johns Hopkins Project (Zimmer/Priller 2004). The economic success story of the Free Welfare Associations was backed by a very specific interpretation of the principle of subsidiarity in Germany (Sachße 2003) that in the late 1960s was incorporated into the country's social laws, thus guaranteeing the associations a privileged position within the growing market of social and health services in Germany simply by securing the associations public funding (for further information see chapter 3). However, the impressive growth of the associations came with the double prize of professionalization and bureaucratization. Whereas professionalism translated into the replacement of clerical personnel and volunteers by paid staff, bureaucratization was the outcome of increased government scrutiny (Thamm 1995). In the 1970s under the tutelage of Germany's welfare state, the Free Welfare Associations, originally financed primarily by membership dues and donations, were treated on equal footing with public entities and thus almost entirely financed by public money.

The Ongoing Era of Retrenchment

During the early decades of the young Bundesrepublik, politicians and the general public alike perceived the German welfare state as a major achievement. In accordance with the development in other Western European countries from the 1980s onwards, against the background of economic crisis and increasing rates of unemployment, there has been a growing criticism of the welfare state in Germany. As elsewhere, cost containment as well as the shift from the "welfare state" to a "welfare society" became the buzzwords of social policy reform in Germany. Against this background, the German Free Welfare Associations were harshly criticized in the late 1980s and early 1990s. One line of criticism, primarily put forward by neo-liberals and economists, addressed the privileged, state-protected position of the associations within the growing market of social service delivery in Germany. A second line of argumentation primarily criticized the bureaucratization of the Free Welfare Associations and thus the low importance of volunteering and civic activity within the organizations. From a retrospective point of view, it becomes obvious that the associations have managed to cope with both criticisms and challenges.

In accordance with social policy developments in the UK and other European countries, welfare state reformers asked successfully for the introduction of elements of "competitive tendering" and "contract management" in Germany. In the early 1990s, the country's social

laws were significantly changed, and the privileged position of the Free Welfare Associations was at least partly abolished (Olk/Backhaus-Maul 1995). In a nutshell: The German Federal Government introduced elements of marketization and competition in the field of welfare provision by changing the system of financing of social services and by opening the market of welfare provision for commercial providers. Precisely, reimbursement of costs was exchanged for contract management, and thus for the introduction of *Leistungsentgelte*.⁵ Moreover, at least in some areas of welfare provision – care for the elderly, for example – commercial providers and the Free Welfare Associations are by law treated on equal footing (for more details see Boeßenecker 2005: 279-304). The reasons why up until now the Free Welfare Associations have managed to keep their pole position in the social welfare domain - despite these significant changes - will be discussed in detail in chapter six. However, there is no doubt that the embeddedness of the associations, and thus path-dependency linked to the legacy of history combined with the remarkable capacity of the Free Welfare Associations to adapt to changing environments provide the clue to their ongoing success story and to their prominent role in Germany's social welfare domain.

As already indicated, from the late 1980s on, the Free Welfare Associations were not only accused of being inefficient from an economic point of view. They were also heavily criticized by political activists and most prominently by aficionados of the self-help movement for being negative spin-offs of a patriarchal state that denies its citizenry self-organizations and therefore hinders processes of societal empowerment and emancipation. To make a long story short, the Free Welfare Associations also managed to successfully cope with the criticism from within the social welfare domain by going back to their roots as private and primarily community-based organizations, which originally were exclusively run by volunteers. As outlined in more detail in chapter four, the Free Welfare Associations incorporated the self-help movement by becoming umbrella organizations of the local self-help initiatives. At the same time, they were able to reshape their image and function as social policy entrepreneurs (for more detail see chapter 5). The same holds true for the topic of civic activity and civic engagement, which by now has become a major issue of concern for the Free Welfare Associations. In sum, the Free Welfare Associations underline their peculiarity by stressing that they are distinct from commercial providers of social service due to the fact that volunteering and civic engagement constitute important segments of their organizational culture and history (see Bundesarbeitsgemeinschaft 2004).

⁵ The organization is exclusively paid for the service.

3. Definitions and Typologies

The fact that up until now Germany lacks an encompassing policy community oriented towards the broader sector per se is clearly documented by the absence of a coherent epistemology backed by collective nouns that serve as common frames of reference expressing shared meanings, norms and values. Instead, there is a broad array of frequently used terms and expressions, which are related to very different ideas and conceptualizations of third sector activity. In the following we will take a closer look at the various terms and concepts. More specifically, in the discourse there are nouns and terms related to:

- the legal form of third sector organizations
- the functional division of labor within the vertically integrated fields of third sector activity
- the social welfare domain and, more precisely, the specialist third sector-specific policy actors
- third sector specific activities of the individual citizens.

Legal Forms

In Germany, there are a limited number of legal forms that are suitable for nonprofit activities. These are the registered association (*eingetragener Verein*), the private foundation (*Stiftung des privaten Rechts*), and the private limited company (*gemeinnützige Gesellschaft mit beschränkter Haftung; gGmbH*) (for further information see Zimmer et al. 2004). It is worth mentioning that these legal forms enjoy tax-exempt status. Particularly, the legal form of the registered association that dates its origins back to the second half of the 19th century, served as a textbook example for many other European countries such as Austria, Poland, Greece and even Turkey. However, with respect to the policy process, the legal form of third sector activity does not matter.

Division of Labor between Vereine and Verbände

As already mentioned, Germany's co-operative federalism has a significant impact on the policy process. Within every policy field there is a certain division of labor between those organizations that are involved in service delivery and those that are responsible for interest representation and lobby activities. In a nutshell: Local level third sector activities are

associated with the term *Verein* (voluntary organization) and put into practice by *Vereine*, whereas third sector organizations operating at the federal and sub-national level are characterized as *Verband* and thus as umbrella associations. The reason there is a distinction between local third sector activities and those that take place beyond the local level is closely linked to the very notion of the decentralized Federal Republic of Germany.

As outlined in the literature (Katzenstein 1987), German policy-making is characterized by a high degree of fragmentation and takes place in numerous vertically integrated policy fields. With respect to third sector vertical integration, this translates into a situation whereby locally active *Vereine* are member organizations of industry-specific umbrella organizations, *Verbände*, that are operating at the sub-national, the national, and increasingly also at the international levels. To put it differently, *Vereine* are involved in implementing policies while *Verbände* are policy entrepreneurs of processes of agenda-setting, decision-making and evaluation. Against the background of Germany's co-operative federalism the *Verein-Verband division of labor* provides the linkage between the various levels of government in the country. *Vereine* are the conduits for implementing policies, arranged and agreed upon at the sub-national, national or international level of government in tight policy networks with the participation of *Verbände* as societal actors and policy entrepreneurs. The functional division of labor between *Vereine* and *Verbände* is a general phenomenon of Germany's third sector (Zimmer 1999). However, despite the prominent exception of the social welfare domain - the *Wohlfahrtsverbände* respectively that translates into the Free Welfare Associations - the term *Verband* does not carry any specific meaning and is not related to particular values and norms.

The Free Welfare Associations and the Principle of Subsidiarity

There is no doubt that the collective and frequently used noun *Freie Wohlfahrtspflege* (Free Welfare Associations) is a generic term (see Boeßenecker 2005: 35; Hammerschmidt 2005: 164) that carries at least two implications: First, *Freie Wohlfahrtspflege* refers to the entire spectrum of organizations, service units, advocacy groups, local, national and sub-national organizations and initiatives that are members of one of the aforementioned welfare associations - Caritas, Diaconia, Parity, Workers' Welfare Associations, German Red Cross, and the small Welfare Agency of Jews in Germany, which will be described in more detail in the next chapter. Second, the generic term *Freie Wohlfahrtspflege* relates to the long-standing tradition of public-private partnership with respect to welfare provision and social policy

processing in Germany. As outlined in the literature (see Heinze/Olk 1981; Zimmer 1999, 1999), in the social welfare domain the *Freie Wohlfahrtspflege* constitutes a specialist third sector-specific policy actor that, as an integral part of the neo-corporatist German social policy arrangement, is deeply bound up with and enmeshed in Germany's welfare state.

The pole position of the *Freie Wohlfahrtspflege* in the social welfare domain is backed and legally underpinned by the concept of subsidiarity (Sachße 2003), which is also used as a generic term in Germany and has until recently been thoroughly geared towards the Free Welfare Associations. Traditionally the principle of subsidiarity derives from the Catholic social doctrine. In 1931, it was officially inaugurated in the Social Encyclical “Quadragesimo anno” by Pope Pius XI pointing out that whatever the individual or small communities are able to achieve on their own should not be done by higher-ranking institutions. The principle was originally designed to protect individual rights against the two dominant powers of that time: communism and National Socialism. After the Second World War, the principle was redefined in favor of the *Freie Wohlfahrtspflege* in conjunction with the growth of the German welfare state.

In the *Bundesrepublik* of the 1950s and 1960s the principle became part of German social laws underlining that government should abstain from providing social services as long as an affiliated organization of the Free Welfare Associations is able to provide the services. According to the Federal Law on Social Benefits (*BSHG*) and the Children and Youth Services Act (*Kinder- und Jugendhilfegesetz, KJHG*), government was and partly still is required to co-operate with the *Freie Wohlfahrtspflege* whenever possible, if there is a need for social service provision. Additionally, government was and still is obliged to support the *Freie Wohlfahrtspflege* financially, while at the same time, they are acknowledged as independent corporate actors. This means that they are in full charge of their organizational procedures enjoying independence from government interference. As already outlined in chapter two, in the 1990s, the German Federal Government introduced a less rigid interpretation of the principle of subsidiarity by adjusting the country's social laws to the new welfare state doctrine of marketization and competition. Today, commercial providers of social and health services are also eligible for government grants and contracts in Germany. However, the Free Welfare Associations are still supported by generous government subsidies that are particularly used for the support and maintenance of their organizational infrastructure, i.e., the *Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege* and the

Deutscher Verein, which constitute two important pillars of the architecture of the policy community in the German social welfare domain (for further information see chapter 4). In sum: although today the principle of subsidiarity is no longer as strongly in place as during the heyday of Germany's welfare state expansion, it nevertheless continues to be used as a term of reference providing the most important rationale for the prominent position of the *Freie Wohlfahrtspflege* with respect to public policy processing in the social welfare domain in Germany.⁶

Honorary Position (Ehrenamt) and Civic Engagement (bürgererschaftliches Engagement)

There are two terms that are specifically used to describe third sector-related activities of the individual citizen in Germany. Whereas *Ehrenamt*, or honorary activity, constitutes a very traditional term that is embedded in the political and societal tradition of the country, the term *bürgererschaftliches Engagement*, or civic engagement, was introduced by the Study Commission (Enquete-Kommission) of the German Parliament that was in place from 2000 until 2002. *Ehrenamt* and *bürgererschaftliches Engagement* are generic terms - concepts that originally indicated two very different and distinct attitudes towards volunteering and third sector activity.

The concept of *Ehrenamt* was originally introduced after the Napoleonic Wars by the Prussian government that tried to modernize local governance by drawing on the resources of its citizenry at the beginning of the 19th century. At that time, working in an honorary position translated into a situation where wealthy male members of the local community were required by law to work without any re-imbusement, the essence of an honorary position in Germany. The tasks assigned to these citizens were primarily in the government sector, such as taking care of the needy in the neighborhood or serving as a lay assessor in court. The positions were honorary positions because public duties were carried out by citizens and not by civil servants. Still today, the term *Ehrenamt* is widely used in public discourse. However, the term has also a slightly negative and at least very traditional image, because serving in an honorary position is perceived as acting on behalf of government and thus in the shadow of the state (Zimmer 2003).

⁶ The role of the central associations of Non-statutory Welfare and their affiliated organizations and institutions was based on the §10 of the *Bundessozialhilfegesetz* (BSHG, Federal Law on Social Benefits). It stated that the public agencies were to refrain from measures in the welfare domain where services were offered by the central associations of Non-statutory Welfare and the churches. The *Bundessozialhilfegesetz* was abolished on January 1, 2005 (with the exception of §§ 100 I und 101a) and replaced by the *Sozialgesetzbuch* (SGB, Social

Against this background, the Study Commission put forward the term *bürgerschaftliches Engagement*, which encompasses a very broad spectrum of civic activities (see Enquete-Kommission 2002: 57-62). It has to be mentioned that there is no linguistic distinction between the very different unsalaried activities of volunteering in nonprofit organizations or of serving on the board of a third sector entity in Germany. Thus, *bürgerschaftliches Engagement* was established as an encompassing concept referring to membership and volunteering in third sector organizations as well as to any political engagement and activity, such as party membership or support for social movements including protest rallies. Whereas closeness to the state was the underlying rationale of *Ehrenamt*, the new term *bürgerschaftliches Engagement* tries to underline the civicness of these activities, stressing the nexus between *bürgerschaftliches Engagement* and the concept of civil society. Due to the activities of the Federal Network for the Promotion of Civic Activities (BBE), which will be described in more detail in the following chapter, the term *bürgerschaftliches Engagement* is increasingly used in public discourse, becoming more and more popular. In the social science literature the term *bürgerschaftliches Engagement* associated with the concept of civil society has developed into a shooting star with respect to publications. In sum, there are in some way traditional nouns - *Verein*, *Verband* and *Ehrenamt* - and more recently introduced terms, in particular *bürgerschaftliches Engagement* and *Zivilgesellschaft* (civil society).

There is no doubt that the topic of civic engagement, either dubbed as *Ehrenamt* or *bürgerschaftliches Engagement*, has significantly gained momentum in Germany starting in the early 1980s. Since then, public discourse focusing on the topic of unsalaried civic activities has been loosely linked to the widely discussed issue of welfare state reform. As already outlined in chapter two, the Free Welfare Associations grew out of a strong culture of local civic engagement. Against the background of the aforementioned public-private partnership in the social welfare domain (see chapter two) it does not come as a surprise that the term *Ehrenamt* has been most prominently used for unsalaried activities for the Free Welfare Associations. However, in the heyday of welfare state expansion, professionals by and large replaced volunteers being engaged for the *Freie Wohlfahrtspflege*. In the meantime and very much in accordance with the shift from the welfare state to a welfare society, the Free Welfare Associations are trying to go back to their civic roots by underlining the importance of volunteering and civic engagement for their well-being and specific

Security Code): SGB XII (social benefits) and the SGB II (unemployment benefits). In the SGB XII public

organizational culture. According to their line of argumentation, civicness, which translates into volunteer input, makes the Free Welfare Associations distinct and sets them apart from their commercial counterparts in social service provision (Bundesarbeitsgemeinschaft 2004).

All in all, civic engagement has become an important topic in Germany. Indeed, the establishment of the Study Commission on the Future of Civic Activities set up by the German Parliament in 2000 provides a strong indicator for the importance of the issue for German policy and politics.

With respect to epistemology there is no longer a clear-cut division between *bürgerschaftliches Engagement* and *Ehrenamt*. In the meantime the term volunteering or *Freiwilligenarbeit* has also made inroads into public discourse in Germany. The three nouns *Ehrenamt*, *bürgerschaftliches Engagement* and *Freiwilligenarbeit* are increasingly used as synonyms. However, there is still a decisive gap between practitioners and researchers/scientists with respect to the use of the aforementioned third sector terminology. While the latter put a high emphasis on *Zivilgesellschaft* (civil society) as well as on *bürgerschaftliches Engagement* (civic engagement), on the whole, practitioners stick to the traditional wording, using *Verein* (voluntary organisation) for describing local activities of nonprofit organizations, *Verband* (association) for relating to the umbrella organizations of the sector (e.g. the Free Welfare Associations) and *Ehrenamt* for referring to volunteering and serving on boards of nonprofits.

4. Architecture

At the very heart of the strong and durable governance arrangement in the German social welfare system are two institutions, both of which are long-established membership organizations generously supported by public subsidies. Those two institutions are:

- *Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege (BAGFW)*, the Free Welfare Consortium, and
- *Deutscher Verein für öffentliche und private Fürsorge (Deutscher Verein)*, the German Association for Public and Private Welfare.

private corporations are still mentioned (§ 4 SGB XII) explicitly.

The Free Welfare Consortium (BAGFW)⁷ serves a double function: First, it is the umbrella organization of the six German Free Welfare Associations. As mentioned in chapter two, each association - AWO, Caritas, Diaconia, Parity, the German Red Cross, and the small Central Welfare Agency of Jews in Germany - represents a specific ideological milieu and thus for a normative paradigm. The Consortium provides the platform for discussion and rapprochement of point of views with regard to social policy. In sum, internal integration of the Freie Wohlfahrtspflege as a loosely coupled system is a very important function of the Consortium. Second, the Consortium is a specialist third-sector-specific policy actor acting as the voice of the Freie Wohlfahrtspflege with respect to Germany's Federal Government.

In contrast to the Consortium, to which membership is restricted to the Free Welfare Associations and thus to nonprofit organizations, the German Association provides the institutional underpinning of the traditional and well-established public-private partnership in the welfare domain in Germany that was outlined in more detail in chapter two. As already indicated by the terminology, the German Association for Public and Private Welfare draws its membership from the private, nonprofit as well as the public domain. From a functional point of view, the German Association also provides an important platform for discussion and dissemination. Among its primary tasks, however, is to comment on draft social policy legislation. In other words, the German Association is a key player with respect to public policy development, albeit not a specialist third-sector-specific policy actor. Moreover, the German Association hosts the organization, whose aim is to become the nucleus of third sector collaboration and communication in Germany, the Federal Network for the Promotion of Civic Activities (BBE). Whereas the German Association is a policy actor restricted to the welfare domain, the Network works hard to promote a cross-cutting policy approach that goes far beyond the social policy domain. However, as already indicated, the Network does so from a specific angle by focusing on the topics of volunteering and civic engagement.

In the following the Free Welfare Consortium and its member organizations, the German Association for Public and Private Welfare, and the Federal Network for the Promotion of Civic Activities are portrayed in more detail in order to show that the policy sphere in the German social welfare domain provides a textbook example for the blurring of boundaries between state and society or between the public and the private realms.

⁷ For more information, see www.bagfw.de

The Peak Associations of the Free Welfare Consortium

German nonprofits active in the social welfare domain are predominately affiliated with one of the Free Welfare Associations whose origins date back to the second half of the 19th century (Sachße/Tennstedt 1988, Sachße1996). The associations themselves are horizontal bodies by definition. They are peak associations (*Spitzenverbände*), with the obligation to provide services in every field of activity of the social welfare domain.⁸ As such, it comes as no surprise that with more than 1.1 million employees and about 94,000 service units, Germany's Free Welfare Associations are the most important providers of social and health care services in the country after government (Bundesarbeitsgemeinschaft 2001). They offer a broad spectrum of social services, ranging from personal counseling and health care provision to job training and international activities such as humanitarian aid. The associations operate daycare centers, kindergartens, hospitals, and homes for the elderly and for disabled people. Whenever the government launches a job creation campaign offering work opportunities for the jobless, the institutions and organizations affiliated with the Free Welfare Associations rank among the primary providers of subsidized job opportunities. Finally, the associations function as significant pressure groups for the needs of the not-too-well-to-do by e.g. reporting on the topic of social exclusion in Germany (see chapter 5). Thus, it is important to understand the multifunctional character of the Free Welfare Associations in the policy process:

- They are the most important providers of social services besides government. Against this background, they intensively engage in lobbying activities on behalf of their membership organizations because they are highly interested in keeping their position in Germany's welfare domain.
- They engage in advocacy by giving voice to the needy and underprivileged and by acting on their concerns since the advocacy function is deeply embedded in their organizational culture. Indeed being active on behalf of the very needy has been the primary organizational rationale of the Free Welfare Associations since their beginnings.

From a management point of view, the Free Welfare Associations are loosely coupled. The so-called headquarters of the associations (*Verbandsleitung*) do not have the authority to regulate and control day-to-day operations of the membership organizations, which are independent corporate actors operating predominately at the local level. Thus, there are numerous local nonprofits providing any kind of services or offering leisure activities for their

individual members. These organizations are independent legal entities, predominately organized as *eingetragene Vereine* (see chapter 3). However, since the 1990s there is an increasing tendency that local service units, particularly hospitals and homes for the elderly, change their organizational form by opting for the private limited company. By and large the organizations decide in favor of the gGmbH, which enjoys tax-exempt status and therefore is part of the nonprofit sector (see chapter 3). But, there are also quite a few service units, affiliated with one of the Free Welfare Associations, that opt to become for-profit organizations by choosing the legal form of the GmbH, which is the most common legal form among mid-sized business enterprises. Legal form is not an issue with respect to membership in one of the Free Welfare Associations. eVs as well as gGmbHs, GmbHs and private foundations are members of the Free Welfare Associations, which still today represent specific ideological pillars and ideological milieus.

Member organizations are affiliated because they share the specific value-set represented by the particular peak association. There are six Free Welfare Associations: the German Caritas Association (Caritas), the Welfare Services of the Protestant Church in Germany (Diakonie/Diaconia), the Worker's Welfare Service (AWO), the Association of Non-Affiliated Charities (Parity), the German Red Cross (Red Cross), and the Central Welfare Agency of Jews in Germany.

BOX I

The Free Welfare Associations⁹

Caritas (Deutscher Caritas Verband) was founded in 1897 as an umbrella organization of local charity organizations, which were predominately *Vereine* and as such part of a local Catholic charity milieu. Originally the Catholic Church did not welcome the development of a private Catholic welfare culture, represented by an independent *Verband* serving as an umbrella organization independent from the Catholic Church. In 1921 this dispute was resolved by integrating Caritas into the Catholic Church. From that time onwards, Caritas has proved to be a remarkable success story of growth and worldwide activity. Today Caritas is highly embedded in the Catholic milieu and closely connected with the Catholic theological authorities in Rome. From a legal point of view Caritas is not subject of German public law but is governed by Catholic ecclesiastical law.

⁸ Peak associations see: Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege (Eds.) (1985): Die Spitzenverbände der Freien Wohlfahrtspflege – Aufgaben und Finanzierung, Bonn

⁹ For further information, see: Worker's Welfare Association: www.awo.org; Caritas: www.caritas.de, German Red Cross: www.rotkreuz.de, Diaconia: www.diakonie.de, Parity: www.paritaet.de

The recent publication by Hammerschmidt (2005) provides an excellent overview of the restructuring of the associations after World War II.

Caritas serves as the umbrella organization of 27 regional Caritas associations, 15 issue-specific Caritas associations, 16 working groups and 17 holy orders. The areas served by the various Caritas associations correspond by and large to the territorial boundaries of the respective German dioceses. Individuals may not be members of the Caritas Verband, but may join *Caritas-Gemeinschaften*, which are integral parts of the parishes. The Bishops of the dioceses serve as chairmen of the Caritas associations and, as such, supervisors of the personnel employed by them. Due to its closeness to the Catholic Church mission, statements made by the Caritas associations have to be acceptable to the Church.

Similar to Caritas, **Diaconia** (*Diakonische Werk der Evangelischen Kirche*) is embedded in and closely affiliated with one of Germany's major religions, in this case Protestantism (Lutheran). However, Protestantism in Germany and elsewhere is more decentralized than Catholicism and lacks a centralized institution and steering entity comparable to the Vatican and the authority of the Pope. Therefore the 27 sections and units of the German Protestant Church are independent entities governed by elected boards whose membership consists of laymen and pastors.

As a peak association, Diaconia serves as an umbrella for 27 regional associations, 27 issue-specific associations (brotherhoods and sisterhoods included), and 9 Diaconia working groups. Similar to Caritas, the coverage of Diaconia's regional associations corresponds with the territorial boundaries of Germany's 27 Protestant Churches (Boeßenencker 2005: 130ff). Also like Caritas, individual membership in Diaconia is permitted only indirectly via church membership.

The umbrella organization Diaconia is a rather young institution, which in 1975 came into existence through the merger of two predecessor institutions - *Centralausschuss für die innere Mission* (Central Committee for the Core Mission) and *Hilfswerk der evangelischen Kirche in Deutschland* (Welfare Services of the Protestant Church in Germany). The *Centralausschuss*, founded in 1848 with a focus on charity work and missionary activity, represents the functional equivalent of Caritas. From its very beginning, by serving as a platform for discussion and consensus-building, its primary task has been to co-ordinate policies and points of views of the regional welfare organizations, which were and still are closely affiliated with the German Protestant Churches. Contrary to the *Centralausschuss*, which operated closely to and was embedded in the Protestant Church, the *Hilfswerk der evangelischen Kirche in Deutschland*, founded in 1945, was a charity organization of the German Protestant Church. Early on, the *Hilfswerk* served as a successful fundraiser abroad for the re-building of the infrastructure (buildings and facilities) of the Protestant Churches. However, it soon developed into a competitor of the *Centralausschuss* in social service delivery (Hammerschmidt 2005: 49f). From 1945 onwards there had been a dispute between the *Centralausschuss* und the *Hilfswerk* about which organization represented the voice of "Protestant welfare" in Germany. The merger of the two competing associations finally settled the interorganizational dispute. Against this background, it becomes understandable

that during the first decades of the young *Bundesrepublik*, Caritas was by far the most powerful and influential welfare organization in Germany.

Right after World War II, the Allies first worked with both of the church-affiliated welfare associations, Caritas and Diaconia, which gained a competitive advantage with respect to the re-establishment of their organizational structures (see Hammerschmidt 2005: 18ff.). Still today, in terms of staff and affiliated organizations (such as hospitals or homes for the elderly), Caritas and Diaconia are Germany's two largest welfare associations. Currently, approximately 500.000 employees work for Caritas, whose main fields of activity are health care and youth and family assistance services (Boeßenecker 2005: 101f). With 450.000 employees, Diaconia is the second largest free welfare association in Germany. Diaconia's main fields of activity are health care but also services and institutions for the elderly (21,8 %) and youth (21,7%) (Boeßenecker 2005: 121 ff).

The **Workers' Welfare Association** (AWO) was founded in 1919 as an integral branch of Germany's Social Democratic Party in order to lobby vigorously in favor of the extension of public welfare. In contrast to the aforementioned associations AWO was not an independent institution but the social welfare unit of the German Social Democratic Party supporting the concept of a public, democratically controlled welfare system. Therefore, in the Weimarer Republic, AWO's welfare state approach was thoroughly in contrast with those put forward by Caritas and by the predecessor of Diaconia. The infrastructure of AWO was primarily community-based and organized in more than 1.200 local and regional voluntary organizations through which party members were engaged in volunteering and lobbying activities.

Immediately after Hitler had come to power AWO as well as the Central Welfare Agency of the Jews in Germany (described below) were dissolved. The assets of the two organizations were confiscated by the Nazi government, which began to establish a welfare association under the tutelage of the Nazi Party, the *Nationalsozialistische Volkswohlfahrt e.V.*, using the capital of the two aforementioned welfare organizations (Boeßenecker 2005: 166; Hammerschmidt 2005: 65). Therefore, whereas Caritas and Diaconia had not been abolished by the Third Reich, AWO had to be re-founded after World War II. This time, AWO was re-established as an organization legally independent from the Social Democratic Party, albeit keeping intensive contacts with the Party. From that time onwards, AWO also started to run social service institutions such as hospitals and homes for the elderly.

The structure of the peak association AWO reflects the various organizational layers of the administrative configuration of Germany's Social Democratic Party. There are more than 3.800 local units, around 550 sub-regional units, and 29 regional units. Each unit constitutes a legally independent voluntary organization, which is based on individual membership. Around 140.000 employees work for AWO, which maintains around 9.000 service institutions in Germany. AWO's primary service delivery fields are assistance to the elderly and youth and family support (Boeßenecker, 157 ff).

From a policy point of view, up until the late 1980s, AWO was still very much in favor of state welfare service provision. However during the 1990s, the Association engaged in an

intensive debate on such topics as competitive tendering and quality management. Currently, AWO puts forward a policy approach and organizational strategy that makes a clear-cut distinction between AWO as a community-based membership organization and AWO as a provider of social services. With respect to the service institutions, AWO is by now very much in favor of an entrepreneurial approach, re-engineering its service units by changing their organizational form from the legal entity of a nonprofit *Verein* to the for-profit organizational form of a corporation (GmbH).

The **Parity** (also called Association of Non-affiliated Charities, DPWV), which does not correspond to any ideological or political milieu, is the smallest, but the fastest growing of the German Free Welfare Associations. In 1919 local secular hospitals joined to form the Association of Frankfurt Hospitals, which expanded into a national association in 1920. Other welfare organizations and service units without any ideological affiliation joined the association, which already in the mid-1920s had a membership of about 750 organizations. Plurality and openness served as the founding ideas of the Parity, which, from an organizational identity point of view, perceived itself as a counterforce to the state and local community welfare approach of social democracy. Against the background that the two church-affiliated welfare associations were already quite powerful at that time, the Parity acted from the very beginning as a lobby organization on behalf of its membership. Nevertheless, the Parity became a member of the Liga, which was the umbrella organization of the Free Welfare Associations in the Weimarer Republic and as such the predecessor of the BAGFW (see the next chapter). Similar to AWO and the Central Welfare Agency of the Jews in Germany, the Parity was dissolved when the Nazis seized power in 1933. However, some of its membership organizations joined the newly founded *Nationalsozialistische Volkswohlfahrt e.V. (NSV)*, which, as noted above, was the welfare association founded by the Nazi Party. In 1949 the Parity was re-established in Frankfurt and soon afterwards accepted as a peak association. Today, the Parity consists of 15 regional or state-level associations, more than 140 sub-regional associations, and about 8.700 local associations. About 150.000 employees work in the service units affiliated with the Parity. Its primary activities are in the field of support for the disabled, youth and the elderly (Boeßenecker: 2005 189 ff). Since the Parity is not embedded in a specific ideological milieu, it turned out to be most accessible for new members. In a nutshell: During the 1980s the Parity became the most important host of the organizations newly founded within the self-help movement. Furthermore, after Germany's reunification, the *Volkssolidarität*, the largest welfare association of the former GDR, joined the Parity (see Angerhausen 2003).

The **German Red Cross (DRK)** was founded in 1921 as a union of several regional and local Red Cross organizations and is still today embedded in a conservative milieu. Since its establishment, its purpose was extended from support for persons disabled in war and providing help in national and international crises to social work and emergency services in times of peace (Boeßenecker 2005: 220f). During the Third Reich, the German Red Cross was a well-acknowledged member of the NS-welfare umbrella organization and thus thoroughly

incorporated into the welfare system run by the state. During the Second World War, the functions of the German Red Cross were gradually reduced to military help. Against this background the Allies were very reluctant to accept the German Red Cross as a partner organization (Hammerschmidt 2005: 59ff). The DRK was re-established only in 1950 in West Germany and in 1952 in East Germany. The two organizations were merged in 1990 following Germany's re-unification.

The identity and governance structure of the German Red Cross differ significantly from both from the two church-affiliated associations and the AWO. Similar to AWO, the Red Cross is based on individual membership. However, by and large the DRK is not a democratic organization. Only members of the boards of the local organizations are elected; any other leadership position in the DRK's organizational hierarchy is filled through appointment. In fact, even today many members of the former German nobility hold key executive positions. Currently, there are 19 regional DRK associations, about 520 sub-regional associations, and more than 17.000 *Rotkreuzvereine*, voluntary organizations operating at the local level whose primary task is to provide the organizational framework for volunteering (for more details see Boeßenecker 2005: 226f). Approximately 130.000 employees work in DRK service units. In addition to rescue services, a stronghold of DRK activity in Germany's social welfare domain is the field of support for youth and the elderly.

The Central Welfare Agency of Jews in Germany (*Zentralwohlfahrtsstelle der Juden in Deutschland*) is the smallest of the Free Welfare Associations. Founded in 1917 in Berlin, where at that time about one third of the Jewish German population (approximately 160.000) lived, the Agency primarily took care of the immigrant population of so-called East-Jews who came to Germany to avoid suppression and persecution by the Russian government. In sum, the Agency was a further expression of the German version of pillarization, which was and still is most strongly in place in the social welfare domain. In 1926 the Agency joined the Liga. As already mentioned, when National Socialism came to power in Germany, the Agency was increasingly confronted with state control and finally dissolved (Hammerschmidt 2005: 74f). After the Second World War, the main goal of Jewish welfare in Germany was to support the migration of members of the Jewish community to Palestine. In 1950, the Agency was re-constituted in Frankfurt (Boeßenecker 2005: 241). Currently, there are 22 organizations affiliated with the Agency, which itself is a member of BAGFW. With about 500 employees working in 440 service units, the Central Welfare Agency of Jews in Germany is indeed a small organization compared to Caritas or Diaconia. The local units of the Agency are not legally independent but, similar to the Caritas structure, associated with the Jewish communities. According to the literature the Agency is an important expression of the heterogeneity of German society; from a policy point of view, however, it is not a major player within the country's social welfare domain (see Boeßenecker 2005: 251).

The Free Welfare Consortium - Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege (BAGFW)

The Free Welfare Consortium serves as a discussion platform for the Free Welfare Associations at the federal level. Financed in part by government and in part by contributions from the Free Welfare Associations, the Consortium currently employs 16 people and maintains offices in Berlin, Cologne and Brussels. It is organized in Working and Project Groups, each of which is assigned specific topics such as migration or charity law reform (*Reform des Gemeinnützigkeitsrechts*). By and large the Consortium facilitates the balancing of interests among the associations without, however, putting into question the political power and maneuvering space of each of them. Therefore, to a certain extent, the Consortium constitutes the common voice of the Free Welfare Associations towards the Federal Government and increasingly also towards the European Commission¹⁰. However, the associations are not willing to hand over policy entrepreneurship and policy capacity entirely to the Consortium.

Against the background of the TSEP project, the Consortium constitutes the core of Germany's specialist third-sector public policy community. At the same time, it keeps a rather low profile in German public policy debates. In other words, the point of view put forward by the Consortium is, on the one hand, the very essence of German horizontal policy in the social welfare domain at the federal government level. On the other hand, it represents only the common denominator upon which the associations are willing to agree without endangering each one's very specific policy entrepreneurship. It is not easy to understand how the balance of interests among the Free Welfare Associations functions and why this is the case. How the Free Welfare Associations co-operate today is the outcome of a balance of interests. Against this background the Consortium constitutes just one facet of the power alignment in Germany's social welfare domain. However, whether and to what extent the Consortium – as a third sector-specific policy player – is a powerful actor depends first and foremost on the willingness of the associations to delegate power and political influence to the Consortium.

¹⁰ A textbook example for a policy statement put forward by the Consortium and upon which the associations has agreed is the Memorandum issued in 2004 "Zivilgesellschaftlicher Mehrwert gemeinwohlorientierter Dienste", Brussels (2004): BAGFW.

BOX II

A Short of History of the Consortium

The Consortium's history is nearly as long as that of the Free Welfare Associations. In 1921, five of the Free Welfare Associations (Caritas, the Central Committee for the Core Mission, the Central Welfare Agency of the Jews in Germany, the German Red Cross, and the Parity) founded an umbrella organization called *Reichsarbeitsgemeinschaft der Hauptverbände der Freien Wohlfahrtspflege* (Working Group of the Leading Free Welfare Associations), which in 1924 was renamed *Liga der Spitzenverbände der freien Wohlfahrtspflege* (League of the Free Welfare Peak Associations)¹¹.

From its very beginning the Liga was a professionalized institution governed by a President, who served voluntarily, and a full-time Secretary. At that time, a primary task of the Liga was to protect social service delivery from state interference.¹² Since the Liga was equipped with its own bank (*Hilfskasse gemeinnütziger Wohlfahrtseinrichtungen Deutschlands GmbH*), it enjoyed significant steering capacity with respect to its membership associations. The Hilfskasse served as the funding institution for the Liga as well as for the social welfare agencies and institutions affiliated with the membership organizations.

The coming to power of National Socialism did not immediately put an end to the Liga. From 1933-1940 the organization continued to operate, albeit with the composition of its membership changed. Integrated into the Liga was the *Nationalsozialistische Volkswohlfahrt e.V. (NSV)*, which was the welfare association founded by the Nazi Party. Indeed the NSV was built up by the assets, agencies and institutions of the Central Welfare Agency of the Jews, the Workers' Association (AWO), and the Parity. While AWO and the Central Welfare Agency as independent organizations were immediately dissolved after Hitler had come to power, the Parity was initially integrated into the NSV but also dissolved later on. During the 1930s, the Liga increasingly lost power. Finally in 1940 its activities were taken over entirely by the NSV.¹³

After the war in 1949, the *Arbeitsgemeinschaft der Spitzenverbände der Freien Wohlfahrtspflege (AGFW)* (Working Group of the Free Welfare Peak Associations) was re-established in Frankfurt. The AGFW was set up in the tradition of the Liga, albeit as a different institution that was less powerful and less professionalized than the Liga. In contrast to the Liga, the AGFW was equipped neither with an office nor with an independent source of financing. Instead, the Presidency of the AGFW was conceptualized as a rotating responsibility taken up on an annual basis by the various Presidents of the Free Welfare Associations in turn. The founding of the AGFW constituted one facet of the reconstitution of

¹¹ For further information of the Liga see: Sachße/Tennstedt 1988: 94-101

¹² Against this background it becomes obvious why the Worker's Association (AWO) operating as a branch of the German Social Democratic Party in the Weimarer Republic did not join the Liga. During the Weimar Republic AWO was very much in favor of an extension of public welfare.

¹³ For more details see: Hammerschmidt 1999: 193, 205 and 444

public policy in the social welfare domain in Germany after World War II. Hand in hand with this reconstitution, the re-structuring of the Free Welfare Associations took place.

As already mentioned, the Nazi regime had treated the peak associations very differently. Thus, the Central Welfare Agency of the Jews, AWO, and the Parity had to re-build their associational structure from scratch, whereas Caritas and Diaconia simply had to adjust to the post-war environment. Finally, the German Red Cross, which had operated very closely to the Nazi regime had to undergo a process of de-nazification.¹⁴

Very much in accordance with the re-constitution of German democracy after World War II, the re-building of the public policy community in the social welfare domain took place under the guidance of the Allies, whose social service delivery policies differed slightly in the various zones. However, in each zone social service delivery started locally and regionally. Therefore, at the time the AGFW was established, co-operation at the local and regional level among the member organizations of the Free Welfare Associations was already in place. Against this background, the AGFW was founded as a comparatively weak *institution* that served as a supplementary *voice* and interest representation of the associations vis a vis the federal government.

From the very beginning two issues were high on the agenda of the AGFW. First, the AGFW engaged in lobbying in favor of public support and thus subsidies for the Free Welfare Associations and their affiliates. From the early 1950s onwards, the Free Welfare Associations have been publicly supported through a so-called *Globalzuschuss*, a public subsidy or grant that is not earmarked. Second, the AGFW tried to make inroads into the bureaucracy of the German federal government in order to lobby effectively with respect to major bodies of law, such as charity law, or the regulations relating to fundraising. As clearly documented by the literature, the AGFW turned out to be a very successful lobbyist regarding the aforementioned issues (see Hammerschmidt 2005: 95f; 197f, 265f). Moreover, the AGFW managed to be accepted as the stand-alone representation of nonprofit social service associations in Germany vis a vis the Federal Government. The Free Welfare Associations as its member organizations were characterized by government as *Spitzenverbände* (peak associations). This acknowledgment translated into a situation in which an agreement was agreed upon empowering exclusively the AGFW to maintain contact with the federal bureaucracy regarding issues of major importance with respect to the social welfare domain (Hammerschmidt 2005: 161). Accordingly, the federal government endowed the AGFW with the privilege that it exclusively represents the six Free Welfare Associations. In other words: Other nonprofit organizations not affiliated with the Free Welfare Associations are essentially excluded by law from having direct access to the federal government's bureaucracy.¹⁵ The

¹⁴ For more details see: Hammerschmidt 2005: 18-76 and 103-153

¹⁵ A textbook example of a powerful organization that was excluded from the Consortium is the German Association of Hospitals. Hammerschmidt argues that since the "welfare cartel" covers the complete spectrum of social services, it constitutes an easy and convenient counterpart of Germany's welfare bureaucracy. In other words: The Policy Architecture of Germany's social welfare domain constitutes a favourable arrangement with respect to transaction costs. For further information, see Hammerschmidt 2005: 165: "Die sechs de facto anerkannten und in der AGFW zusammengefassten Spitzenverbände deckten das ganze politisch gewünschte und praktisch relevante Spektrum der freien Wohlfahrtspflege ab und boten für die Ministerialbürokratie eine überschaubare und vergleichsweise "gut kalkulierbare" Gruppe von Ansprechpartnern."

structure of the German social welfare domain, characterized by a so-called social service cartel (*Wohlfahrtskartell*) formed by the Free Welfare Associations, was later on described as having significant features of meso-corporatism, which translates into policy specific cooperation between the Free Welfare Associations and the German government (Hammerschmidt 2005: 257).

In 1956, the AGFW established an office in Bonn, hired one person as full-time staff, and created several working groups (Hammerschmidt 2005: 253). In 1961, the AGFW changed its name into *Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege* (BAGFW) (The Free Welfare Consortium) and opened an office in Bonn. Some years later the BAGFW (1966) became an independent legal body, *eingetragener Verein*, thus indicating its further professionalization (for an overview see Boeßenecker 2005: 40). As Hammerschmidt outlined, the institutionalization and professionalization of the BAGFW was advanced primarily by the Parity, which from its very beginning was very interested in advocacy and lobbying activities on behalf of the Free Welfare Associations. After Germany's reunification, the office of the BAGFW was transferred to Berlin in 2000. As early as 1990, the BAGFW set up an office in Brussels in order to monitor and influence European social welfare policy on behalf of and in favor of the German Free Welfare Associations.

Very close contacts with the federal government's bureaucracy and a policy style of cooperation and consensus have always been characteristic features of social policy in Germany. Right after the foundation of the Bundesrepublik the primary interlocutor of the umbrella organizations of the Free Welfare Associations (AGFW, now BAGFW) was the Ministry of the Interior, which at that time was solely responsible for social policy. According to Hammerschmidt, the Ministry and more specifically its Department of Social Policy were very much in line with the social policy tradition of the Weimarer Republic that had assigned a high importance to the Free Welfare Associations (2005: 407). The policy community became more complex and diffuse when in 1957 social policy issues were allocated to two newly founded ministries, the Ministry for Health and the Ministry for Children and Adolescents (Hammerschmidt 2005: 409). Again according to Hammerschmidt (2005: 409), after a short period of time, relationships between the Ministries and the AGFW turned out to be very good, though dealing with two units was more time-consuming. Today, the BAGFW maintains close contacts with every unit of the Berlin bureaucracy that deals with an issue or topic that is of relevance for the Free Welfare Associations. As outlined in the next chapter, although the "neo-corporatist arrangement" in the social welfare domain has become more and more disentangled since the early 1990s, the Free Welfare Associations and their umbrella organization are still very much part of the system.

In sum, the re-structuring of the policy community of the German social welfare domain with the nucleus of the Free Welfare Associations and its federal representation - the BAGFW - has been very successful with respect to polity, policy and politics (Boeßenecker 2005: 43). However, the BAGFW did not reach the pole position within the policy community, which the Liga once enjoyed during the Weimarer Republic. In a certain way the social policy domain of the Federal Republic is less coherent than it was during the Weimarer Republic.

This is due to the fact that in the 1920s public funding for the Free Welfare Associations was channeled through the *Hilfskasse gemeinnütziger Wohlfahrtseinrichtungen Deutschlands GmbH*, which was at that time the home bank of the Free Welfare Associations (Morgenstern 1998: 36). There is a successor institution of the Hilfskasse - *Bank für Sozialwirtschaft* or Social Economy Bank – situated in Köln and Berlin. However, the *Bank für Sozialwirtschaft* is not responsible for the allocation of public grants. Its primary field of activity is credit management, which was made possible in the late 1950s by the establishment of a credit fund financed and thus provided by the Ministry of the Interior (Morgenstern 1998: 124)

The Consortium at the federal level is matched and supplemented by similar arrangements, albeit less professionalized, at the regional or *Laender* level and also at the local level. To make the picture even more confusing, these organizations, which are used for discussion and consensus-arrangement among key players of the welfare domain, are called *Ligen* at the regional level, while at the local level they are dubbed working groups or *Arbeitsgemeinschaften*. These *Ligen* and *Arbeitsgemeinschaften* are the cornerstones of the policy architecture of Germany's social welfare domain, which is characterized by a blurring of boundaries between the public and private domains. Similar to the Netherlands, German pillarization in the social welfare domain did not result in fierce competition. On the contrary, over the course of history, the Free Welfare Associations developed a culture of competition and co-operation, which is backed by Germany's version of corporatism and consensus democracy (Schmidt 1996, Heinze/Olk 1981).

The Consortium (BAGFW) serves as the voice of the Free Welfare Associations at the level of the Federal Government. However, as documented in the literature, in specific areas and fields of activity, the regional or specialized working groups such as the one that deals with care for the elderly may enjoy a higher degree of political influence and public appreciation than the Consortium. Again, those regional or specialized working groups are equipped with representatives of the Free Welfare Associations. Depending on the specific topic or issue at stake just one association takes the lead within these Working Groups. Against this background it becomes clear that the Consortium certainly constitutes the nucleus of horizontality within Germany's social welfare domain. However, the Consortium is only one player or policy actor amongst others in the social welfare domain, and by no means the most important one. On the contrary, what is specific for Germany is the blurring of boundaries between the public and the private sphere in the social welfare domain. A textbook example for this specific policy architecture is the *Deutscher Verein für öffentliche und private*

Fürsorge which might be characterized as the blue-print of institutionalisation of the blurring of boundaries in Germany's welfare domain.

The German Association for Public and Private Welfare

The German Association for Public and Private Welfare (*Deutscher Verein*) is a corporate body, which originally was an advocacy group founded by inspired municipal civil servants and bureaucrats in the late 19th century. The *Verein* was organized primarily around the topics of poverty and social exclusion (see Boënencker 2005: 18; Sachße/Tennstedt 1988: 142ff). In the course of history it developed into a highly institutionalized platform of co-operation between public and private welfare providers. As a corporate body the German Association for Public and Private Welfare is a membership organization with more than 2700 members. Amongst those are the Free Welfare Associations, local authorities, and representatives of the governments of the German Laender, the Federal Government, universities, trade unions and employers' associations.

In 2003, 124 full- and part-time staff members worked for the Association's main office in Berlin. In that year, the organization's operating budget (*Verwaltungshaushalt*) amounted to more than 7.2 Mio Euros, of which the largest share (more than 50%) was contributed by the Federal Government. The Association monitors and evaluates policy in the social welfare domain, thus serving as a clearinghouse for social policy planning in Germany. Every three years, the Association organizes the German Welfare Congress, which is the most important forum for social policy issues in Germany. The Board of the Association is provided with technical expertise by several departments exploring specific aspects of welfare policies. These departments are related to committees, which are composed of experts from the field: representatives of the Free Welfare Associations, the welfare bureaucracies, and researchers. Chaired by a member of the Board, the committees' primary task is to comment on draft legislation. Furthermore, the Association offers a variety of services, among those the monitoring of social policy developments. In sum, the German Association is a key player within the policy process and a unique institution that thoroughly bridges the public and the private sphere in the social welfare domain. Furthermore, the German Association is a horizontal actor in the sense that it is engaged in cross cutting policy issues, which, however, are again restricted to the social welfare domain.

Against this background, it becomes clear why Peter Katzenstein studying policy and politics characterized Germany as a "semi-sovereign state" with reference to the integration of private actors in the policy process. With respect to the social welfare domain, Katzenstein came to the conclusion that the policy process is characterized by a high "dependence on cooperative arrangements between the federal government and other political actors" (Katzenstein 1987: 183). Christoph Sachße goes even further. According to his judgment the German Association for Public and Private Welfare stands for what he calls "a unified welfare-industrial complex", a "factual merging of governmental and private welfare into a new form of public sphere" (Sachße 1996: 168). Interestingly enough, the most recently founded institution, the "Federal Network for the Promotion of Civic Activities (BBE)", which might develop into the most important facilitator of horizontal policy linked to third sector issues, and which encompasses among others a broad range of specialist third sector-specific actors, is modeled after the German Verein, which from the very beginning served as the host institution of the Network.

The Federal Network for the Promotion of Civic Activities (BBE)

In June 2002, the Federal Network for the Promotion of Civic Activities was founded as an outcome and result of both the analysis of the 2001 International Year of Volunteering (IYV) and the Study Commission on the Future of Civic Activities of the German Parliament. The German IYV Advisory Board, consisting of 31 politicians and representatives of third sector organizations, strongly asked for the foundation of such a network in order to secure the role of civic activity in today's society and to promote networking among the nonprofit organizations in Germany. Members of the Study Commission on the Future of Civic Activities of the German Parliament also argued very much in favor of the foundation of a federal network that, focusing on the topics of civic engagement and volunteering, should provide a forum for discussion of cross-cutting policy issues. Therefore, the idea behind the Network was to bring together representatives from the various sectors – the state, the market and the third sector, respectively – who are active or at least interested in the topic of civic engagement. Thus the Network by its very nature is embedded in the consensus-oriented policy culture of Germany that at least tries to encompass members of the three sectors (state, market and the third sector). Furthermore at the very heart of the foundation of the network was the idea that civic engagement constitutes a cross cutting policy issue with increasing importance for the well-being of modern society.

BOX III

The Long Way to the Federal Network for the Promotion of Civic Activities

The establishment of the Federal Network for the Promotion of Civic Activities did not happen overnight. As early as at the beginning of the 1980s, volunteering and civic engagement had become topics of political discourse in Germany. At that time, the Liberal-Christian Democratic coalition headed by Chancellor Kohl came to power taking over the leadership from the Liberal-Social Democratic coalition of Chancellor Schmidt. Simultaneously, fiscal crisis and a slow-down of the economy enforced and even accelerated the end of the so-called “golden age” of growth of the German welfare state.

By introducing the slogan of New Subsidiarity into the discussion, policy advisors of the Christian Democrats managed at least partly to integrate the self-help movement into the established governance arrangement of the German welfare domain. At that time, the self-help movement took a very critical stance towards the Free Welfare Associations, which were perceived as being highly bureaucratized institutions that do not want and even hinder empowerment and active citizenship. By introducing the slogan of New Subsidiarity, the government indicated that the traditional form of subsidiarity, of which the Free Welfare Associations had taken the most advantage, was now being extended and modernized by including also the self-help movement and its organizations, particularly in the field of health. In sum, the government started to build up an infrastructure of advisory centers supporting the various self-help groups at the local level (see Zimmer/Toepler 2000: 34f). From that time onwards step by step the self-help movement and the Free Welfare Associations began to cooperate. As already mentioned, many self-help organizations joined the Parity. However, also Diaconia and Caritas founded or at least became support organizations for self-help centers in many communities.

Also around that time, social scientists launched an intensive debate about the incentives and motives bringing citizens to volunteer or serve on boards of nonprofit organizations. Against the background of the societal trends of individualization and pluralization of lifestyles, it was argued that traditional attitudes towards volunteering no longer counted. Instead of being affiliated with a specific organization, which also stands for a particular social milieu, the so-called modern volunteer looks for short-term engagement and primarily for activities that are connected with leisure and fun. During the 1980s volunteering became an issue of scientific attention and research (see Beher/Liebig/Rauschenbach 2000). Interest in the topic of volunteering was further intensified by the publications of Robert Putnam who linked the topic with considerations of the effectiveness of government, the health of the economy, and the strength of democracy.

Against this background, volunteering increasingly was considered to be an important resource for German society from which both the individual and the community might profit on equal terms. The topic gained further importance due to fact that neo-conservatives and

social democrats alike started to perceive volunteering as an important element of the so-called modernization of the welfare state, which is supposed to move into the direction of a welfare society. In this context, volunteering is seen both as a qualitative alternative to service delivery by a bureaucratized welfare state and as quantitative substitute for costly professional personnel working in the social welfare domain.

Again, the state stepped in by financing centers and agencies for volunteering (*Freiwilligenagenturen, -börsen und -zentren*). Modeled after similar organizations in the United Kingdom these agencies serve as brokers between organizations that are looking for volunteers and citizens who are interested in becoming active without having a concrete idea where to get engaged or with whom to be affiliated.

Due to the aforementioned developments and trends, by the mid 1990s a support infrastructure for volunteering had developed. Simultaneously, an intensive debate on the topic of volunteering was flourishing in the social sciences in Germany. In a broader perspective the topic of civic engagement and volunteering was linked to the discussion on the changing role of the state vis-à-vis society. In Germany, social scientists put forward the concept of the so-called enabling-state (*aktivierender Staat*) whose primary task is the empowerment of the citizenship. During the 1980s and 1990s, the majority of the initiatives that tried either to support the concept of self-help or to campaign in favor of civic engagement and volunteering started at the local level. However, already at a very early stage German governments at the regional or *Laender* as well as at the federal level stepped in by introducing support programs.

By now primarily thanks to public support there are several so-called working groups at the federal and regional level whose primary task is to provide an infrastructure as well as a forum for discussion and networking for those organizations that are either dedicated to support self-help groups or centers for volunteering. BAGFA, *Bundesarbeitsgemeinschaft der Freiwilligenagenturen* (Federal Working Group of the Agencies for Volunteering) provides a textbook example for a network and institutional architecture supporting civic engagement. Currently, there are 150 centers or agencies for volunteering throughout Germany that receive financial support from various sources, among them the European Union, the regional ministries (*Landesministerien*), and the sub-regional and local governments. The umbrella organizations operating at the regional level are titled *Landesarbeitsgemeinschaften der Freiwilligenagenturen* (LAGFAS) (Regional Working Groups of the Agencies for Volunteering).

There is a functional equivalent of BAGFA for the self-help movement: the *Nationale Kontaktstelle für Selbsthilfegruppen* (NAKOS) (Federal Contact Institution for Self-Help). NAKOS serves as an umbrella for those organizations that support self-help groups at the regional and sub-regional level.

BAGFA and NAKOS are not stand-alone organizations. In fact, there are counterparts, primarily contact persons and departments, established and institutionalized within the governments at the regional and sub-regional level. Selected regional governments, *Rheinland-Pfalz* and *Niedersachsen*, for example, established dedicated positions for the support of volunteering and civic engagement at the very top of the regional government. So-

called facilitators of civic engagement (*Engagementbeauftragte*) are working in the Department of the Prime Minister (Staatskanzlei) in both regions. The regional government of *Baden-Württemberg* took a different route by establishing the “Regional Network of Civic Engagement” (*Landesnetzwerk Bürgerschaftliches Engagement*), which is coordinated and supported by the Ministry of Work and Social Issues of Baden-Württemberg. Currently about 200 communities are members of this network, which supports more than 100 so-called local contact points that provide information and offer support to citizens who are interested in volunteering.

Finally, there are three important stepping-stones that indeed paved the way for the establishment of the Federal Network for the Promotion of Civic Engagement (BBE). Those events were:

- Survey on Volunteering conducted the first time in 1999 and repeated as a panel survey in 2004,
- United Nations Year of Volunteering,
- Study Commission on the Future of Civic Activities of the German Parliament, which was in session from 2000 to 2002.

Against the background that the topic of volunteering increasingly gained importance in public discourse, members of the German Parliament belonging to various political factions came together to establish a working group to set up initiatives to push the topic of volunteering to the fore. The Working Group successfully lobbied in favor of the inauguration of monitoring of civic activity in Germany. The Survey on Volunteering, conducted in 1999 for the first time and repeated as a panel analysis five years later, was the first achievement of the interparliamentary Working Group. Second, the Working Group managed to organize a Commission of Inquiry of the German Parliament (Enquete-Kommission), whose primary task was to investigate the scope and quality of civic engagement and volunteering in Germany. In a nutshell, both initiatives, inaugurated after the election of a new German Government in 1998 headed by the Social Democrat Chancellor Schroeder, had already been set up by the previous Parliament and German Federal Government, headed by the Christian Democrat Helmut Kohl. Coincidentally in 2001 the United Nations Year of Volunteering took place worldwide (see TSEP paper by Simone Baglioni). Although there is no direct connection between the Survey, the Commission of Inquiry and the United Nations Year of Volunteering, those three events were nevertheless lined up and linked together. Indeed the 1990s saw the development of an advocacy coalition consisting of members of the German Parliament, researchers, policy consultants and activists who argued in favor of setting up an infrastructure for the fostering and further development of civic engagement and volunteering in Germany. As outlined in more detail already, the outcome of these joint forces that constituted a cross cutting coalition focusing on the topics of volunteering and civic engagement was the establishment of the *Federal Network for the Promotion of Civic Activities* in 2002 (<http://www.b-b-e.de>).

Without going into detail, the governance arrangement built up around the topic of volunteering and self-help resembles, at least to a certain extent, the institutional underpinning

of Germany's policy community in the social welfare domain. It took about two decades until the topics of volunteering and civic engagement were established as a cross cutting policy issue at the federal level of government in Germany. In accordance with the German policy culture, volunteering was first established as a cross cutting policy issue at the local and regional levels. However, the decade from the mid 1990s onwards saw the development of a governance arrangement around the topic of volunteering in which nonprofits as consultants, advocacy groups and facilitators on behalf of this issue increasingly gained importance. In the meantime those issues and cross cutting topics, which in Germany are grouped together under the heading of "policy of civic engagement" (*Engagementpolitik*), are increasingly gaining importance as well. However, what makes the Network distinct and sets it apart from the BAGFW is the fact that it does not constitute a specialist third sector-specific policy actor. The Network has much more in common with the German Association, which also provides a platform for discussion and monitoring politics, albeit restricted to the focus of the social welfare domain, whereas the Network stands for a cross cutting approach by highlighting the importance of volunteering for a broad spectrum of policy fields.

The BBE is a membership organization with currently 170 members. Amongst those are individual citizens, representatives of the Free Welfare Associations, of the Churches, and of the Federal Ministries as well as members of the business community. As indicated in the interviews¹⁶, the Network's administrative structure is quite complicated, consisting of various executive bodies with specific duties.¹⁷ From an organizational point of view, the Network is a small organization with 3,5 full-time paid employees and 6,5 other positions that are either volunteers or interns who are working in the Berlin office. The Network is based on the idea of a so-called tri-sectoral set-up, which translates into a situation where representatives of the German government, the business community and the third sector are supposed to support with a single voice the idea of volunteering and civic engagement. In order to ensure the tri-sectoral set-up within its organizational structures, the Network's Spokesmen's Council, which represents the Network publicly, reserves one seat for each sector (business/government/third sector). With respect to leadership and personnel, there is remarkable continuity between the Network and the Study Commission on the Future of Civic

¹⁶ Within the framework of the TSEP project in 2003 the German team conducted 33 interviews with representatives of various stakeholders (representatives of nonprofit organizations, members of the German Parliament, social scientists).

¹⁷ The executive bodies of the BBE are: the General Assembly (existing of cooperating and voting members), the Coordinating Committee (with a maximum of 40 members, including cooperating members, elected members and appointed members), and the Spokesmen's Council (consisting of 5 members). The General Assembly comes together at least once a year, deciding on statutes, admission of new members, etc. The Coordinating Committee meets as and when required, however, at least twice a year. Among others, the Coordinating Committee's tasks include the summarization of project group results, the drafting of political strategies and concepts for the Network's work, and the preparation of events, activities and contests. The Spokesmen's Council represents the Network in public.

Activities of the German Parliament. While the current Network's Secretary was the coordinator for one of the German parties within the Parliament's Study Commission, the current spokesman or chairman of the Network used to serve as an expert and scientific advisor for the Commission.

The Network is primarily financed by a grant from the Ministry of Family, Senior Citizens, Women and Youth (BMFSJ). Additional funding comes from membership dues (Euro 100 per annum) and sponsorship grants. From a financial point of view, the Network is still in a shaky situation because public financing is not secured but awarded exclusively on a grant basis. Currently, the Network works with a three-year grant that guarantees public funding until 2007. As indicated in the interviews, the business community is very reluctant to finance the Network. Unfortunately, no information was available concerning the Network's annual budget.

Currently the Network has set-up eight project groups, each working for two years on different topics which are linked to cross cutting policies, issues and initiatives aiming at the improvement of civic engagement and volunteering in Germany. The project group topics include the legal and organizational framework of civic activity, the development of local civil society, the future of voluntary work, civic activity and the modernization of the welfare state, development of corporate citizenship, and education and qualifications due to and for civic activity.

From an organizational point of view the Network is modeled as a *Verein* but does not enjoy legal recognition. It constitutes an intermediary body but not a policy community. There is no doubt that compared to the BAGFW, which is restricted to the social policy domain, the network bridges far more policy fields. However, the network is not a powerful player in any particular policy arena. The Network has just started to make inroads into the bureaucracy of the German Federal Government. Its primary interlocutor still is the Ministry of Family, Senior Citizens, Women and Youth (BMFSJ). More precisely the Network co-operates closely with a special unit within the Ministry, which was also set up in 2002, thus setting a recommendation of the Study Commission on the Future of Civic Activities of the German Parliament in motion. This special unit within the Ministry is responsible for running two

program lines, which are both focusing on civic engagement and volunteering.¹⁸ Since the Network's foundation, it has primarily developed into a forum for discussion and exchange of ideas. Nevertheless largely due to its energetic and highly qualified Secretary, the Network managed to achieve considerable public attention particularly through organizing public events such as the so-called "Week of Civic Activity" in September 2004, during which civic engagement received special attention and a focused media coverage all over the country.

Thus the Network's main goal is the promotion of civil society and civic activities in all societal and policy areas, showing the great importance and benefit of voluntary work, self-help and honorary activities for the German society. It puts great emphasis on the topic of civic engagement, stressing that only through civic engagement, a political community may be reactivated, activities in addition to and beyond gainful employment may gain support, and appreciation and the reform of the welfare state may be promoted. Compared to the well-established actors in the social welfare domain, i.e., the Free Welfare Associations, the BAGFW and the German Association for Public and Private Welfare, the Network is a newcomer and thus less powerful. Nevertheless, there is a chance that the Network, hosted by the German Association, might establish itself as a forum of discussion and expertise for cross cutting policy issues that are related to the topics of volunteering and civic engagement. In sum, the Network is not or not yet a key player in any policy network; however, since its start in 2002 it has managed successfully to keep the topic of civic engagement and volunteering on the agenda in Germany.

5. Third Sector-Specific Policy Agenda

Since Germany lacks both a policy community oriented towards the third sector per se as well as third sector specific policies, there has never been a distinctive third sector policy agenda. Nevertheless, as outlined in the previous chapters, the Free Welfare Associations in particular have managed to obtain a pole position in the country's social welfare domain and specifically in the policy space linked to social service provision. Indeed, there is no need for the associations to form a specialist advocacy coalition in the social welfare domain because they are key policy actors, thus running Germany's system of social service provision themselves. Therefore, the following chapter highlights top policy issues and concerns that

¹⁸ For further information see: <http://www.bmfsfj.de/Politikbereiche/Freiwilliges->

either have been put forward by the Free Welfare Associations, or on the contrary have endangered their pole position in the social welfare domain. Specifically, the chapter will briefly focus on how the Free Welfare Associations managed to obtain their pivotal position in the policy space of social service provision. Against this background the chapter will focus on the policies and strategies successfully set in motion by the associations in order to keep their key position. Organized chronologically, the chapter first highlights policy initiatives of the Free Welfare Associations right after the Second World War and during the heyday of Germany's welfare state in the 1960s and 1970s. It continues by taking up the issues of German re-unification as well as the paradigmatic shift towards competition and marketization of welfare service delivery that was introduced by the Federal Government from the early 1990s onwards. Finally, it takes a closer look at the so-called thread of Europeanization that is closely connected to the introduction of a European legislation concerning "services of general interest" (for a comparative view see Brandsen et al 2005).

Postwar Policy Agenda

In order to thoroughly understand the German governance arrangement in the social welfare domain, it is worth mentioning that after the Second World War the Allies were confronted with the devastating situation of a country that was in ruins and flooded by refugees. Moreover, from the perspective of the Allies there were no reliable partners except the Churches and their affiliated welfare organizations, Caritas and Diaconia. Particularly in the American and British Zones, the Allies were eager to allow the re-structuring of the Workers' Welfare Association (AWO) and the Parity, but were very reticent towards the re-establishment of the German Red Cross due to its close cooperation with the Nazi regime during the war (see chapter 3). The very first task assigned to the Free Welfare Associations consisted in the distribution of goods and foodstuff, which by and large were collected abroad, among the German population. While co-operating with both the Allies and local German governments re-institutionalized right after the War, the Free Welfare Associations proved to be reliable partners from the very beginning. Indeed the re-establishment of the Free Welfare Associations preceded both the foundation of the Federal Republic as well as of the Democratic Republic of Germany.

At this early stage of the development of the governance arrangement in the social welfare domain, the primary policy issue of the Free Welfare Associations was to regain and thus to

re-establish the legitimacy and organizational infrastructure that they had enjoyed during the Weimarer Republic (Hammerschmidt 2005: 15). As already outlined in chapter three and as clearly documented by the literature, the Free Welfare Associations were indeed very successful in regaining a prominent position in the policy space of the social welfare domain of the young Bundesrepublik. While Caritas quickly developed into the largest of the associations with respect to service units and personnel, the Parity was eager to establish a cross cutting organization, the BAGFW, which was designed as a forum for discussion and consensus building for the associations.¹⁹

However, from the very beginning there was a latent conflict of power among the Free Welfare Associations as well as between the associations and the BAGFW. As outlined in chapter four, although the BAGFW was institutionalized as the “voice” of the Free Welfare Associations and thus as the specialist third sector-specific policy actor in the policy space of the social welfare domain, from a strategic and therefore from a politics point of view, it has always been restricted from interfering with initiatives and strategies put forward by each of the Free Welfare Associations individually. This translates into a complicated policy environment in which – depending on the issue – the Free Welfare Associations, BAGFW and also the German *Verein* might speak with one voice; or on the contrary, regarding a specific topic or policy there also might arise decisive conflicts of interest among the Free Welfare Associations that translate into a situation in which attaining a compromise is impossible. In a nutshell: The Free Welfare Associations have always lobbied concertedly and successfully with respect to the safeguarding of public funding that is earmarked for the establishment and maintenance of their institutional infrastructure. However, very often the Free Welfare Associations are not able to reach a compromise and thus follow very different strategies with respect to public policy. Germany’s social law legislation of the early 1960s provides a textbook example for a public policy that had a major impact on the associations, which, however, were unable to speak with one voice, and thus failed to practice policy entrepreneurship.

¹⁹ For detailed information see Hammerschmidt 2005: chapter two and three

In the early 1960s, the German Parliament passed two major pieces of social legislation²⁰ by which the principle of subsidiarity became part of German social laws. With respect to this particular public policy, Caritas and AWO in particular put forward extremely controversial points of view. While Caritas lobbied in favor of legislation that would have authorized exclusively service units of the Free Welfare Associations in the social welfare domain, AWO – in accordance with its social democratic tradition – supported a position that was in favor of public service delivery provided by the local governments. Both AWO and Caritas used their specific channels, the Social Democratic Party and the Catholic Church and the Christian Democratic Party, respectively, to promote their causes. The German Supreme Court finally settled the dispute in favor of the position of Caritas without, however, prohibiting public service provision (for detailed information see Hammerschmidt 2005: 3334ff). Although public service delivery organized and provided by local governments was by and large not restricted, it is well documented in the results of the German Study of the Johns Hopkins Project that the social legislation of the early 1960s developed into the legal underpinning of the important role of the Free Welfare Associations as social service providers in Germany (Zimmer/Priller 2004, for detailed argumentation see Anheier et al 2002: 23).

German Re-Unification

In contrast to the public policy addressing the social welfare domain in the 1960s, neither the Free Welfare Associations nor BAGFW took a particular stance on the topic of German re-unification in 1990. In a nutshell, the governance arrangement of the social welfare domain in which the Free Welfare Associations hold a key position as service providers and as policy actors was enlarged and extended to East Germany. By and large the Liberal-Christian Democratic coalition headed by Chancellor Kohl managed Germany's re-unification by a procedure, which Lehbruch (1993) characterized as an "institutional transfer". In sum, the West German administrative set-up and institutional system was transferred to East Germany policy field by policy field. Similar to other associations and organizations that are linked with state institutions by public-private partnerships such as health insurance, pension funds or even umbrella associations of the German Universities or museums, the Free Welfare Associations were awarded public funds to build up an associational infrastructure in East

²⁰ The chapter refers to the BSHG (*Bundessozialhilfegesetz*) and the KJHG (*Kinder- und Jugendhilfegesetz*) passed in 1961. In the 1990s the Parliament liberalized both pieces of legislation. §10 of the original BSHG stated that public agencies were to refrain from measures in the welfare domain where services were offered by Free Welfare Associations and the Churches. The *Bundessozialhilfegesetz* was abolished on January 1, 2005 (with the exception of §§ 100 I und 101a) and replaced by the *Sozialgesetzbuch* (SGB, Social Security

Germany. The German unification treaty explicitly confirmed the principle of subsidiarity for the fields of health care and social services (Articles 32, 35, 39). Even constitutions of selected new Laender refer to the principle of subsidiarity by giving priority in social services provision to the Free Welfare Associations and the Churches. In sum, the restructuring of the governance arrangement in the social welfare domain in East Germany provides a textbook example for Lowi's famous paradigm that policies determine policy (Anheier et al 2001).

The Threat of the Market

Against the background that German unification was managed in the aforementioned way, it is quite astonishing that public policy initiatives introducing the logic of the market into Germany's social welfare domain were started simultaneously, thus implicitly weakening the principle of subsidiarity that used to serve as the bedrock of the economic strength of the welfare associations in the social welfare domain. Triggered by changes of mainstream social policy thinking and rhetoric and last but not least by fiscal constraints and the so-called cost-disease of Germany's welfare state, also in this country the state-centered solution to welfare provision of the social democratic era of the 1970s was followed by the market-centered approach of neo-liberalism of the 1980s and 1990s. Under the influence of neo-liberal rhetoric and thinking the concept of subsidiarity (see chapter 3) was partly replaced and partly supplemented by a so-called market-orientation, which puts high priority on competition and efficiency. In the 1990s, the Federal Government introduced several changes, some related to the system of reimbursement of social services and some to the eligibility of providers to engage in welfare provision (for a detailed analysis see Backhaus-Maul/Olk 1994). There is no doubt that these changes had a major effect on the self-perception and management procedures of the members of the Free Welfare Associations (Heinze et al 1997). However, the changing environment of the welfare associations induced by the German Federal Government did not fundamentally affect their pole position in the social welfare domain. But there is no doubt that, at the very beginning of what in Germany is called "reform process", the Free Welfare Associations were significantly intimidated and were afraid of losing their position as a market leader in welfare service and health care provision.

Before the introduction of the new re-imburement system, Germany's social service providers were operating without any financial risk because deficits were by and large leveled by government subsidies at the end of the fiscal year. From a management point of view, this

Code): SGB XII (social benefits) and the SGB II (unemployment benefits). In the SGB XII public-private co-

very benevolent system of re-imburement resulted in a "heaven-on-earth-situation" for social and health care service providers, which were either government entities or NPOs affiliated with the Free Welfare Associations. As a very first step in the Federal Government's cost containment strategy, social services were budgeted and capped. In other words, deficits were no longer compensated by public subsidies at the end of the year. Simultaneously in the early 1990s, the Federal Government began to embark towards a less rigid interpretation of the principle of subsidiarity by slightly adjusting the social laws to the new doctrine of marketization and competition. The Federal Government opened up avenues for social service providers other than the members of the Free Welfare Associations to also become engaged in the social service and health care market (Backhaus-Maul/Olk 1994). This is particularly the case in the field of care for the elderly. The compulsory nursing care insurance, which came into effect in 1995, no longer gave special preference to the organizations affiliated with the Free Welfare Associations. For the very first time in German social policy legislation the affiliated institutions of the Free Welfare Associations and other social service providers are treated on the same footing with respect to policy implementation.

What initially was perceived as a major threat to the position of the Free Welfare Associations in the social welfare market turned in the long run into a process of adjustment and adaptation to a changing organizational environment. The members of the Free Welfare Associations started to engage heavily in management courses and cost-containment strategies. Depending on the area of activity, the organizations changed their legal form, switching from the nonprofit *Verein* to the GmbH, the private limited company. Today, there are many hospitals, homes for the elderly and counseling centers organized as private limited companies, which nevertheless are affiliated with one of the Free Welfare Associations. In the meantime, "social management" courses have found their way into the curricula of the German schools for social work, and volumes dealing with controlling, fundraising, and efficient management techniques in social service provision overflow the German book market. In sum, the Free Welfare Associations reacted with flexible adjustment, thus successfully taking up the challenge of what is generally called marketization of the welfare state without losing their prominent position as the most important social service providers in Germany. From a public policy point of view the associations' key position in Germany's social welfare domain has never been significantly put into question by the aforementioned paradigmatic shift.

operations are still mentioned (§ 4 SGB XII) explicitly.

This also holds true for those changes to the social laws, which were introduced more recently (January 2005, see footnote 5). There is no doubt that the German Federal Government puts a high emphasis on efficiency and cost-containment at the level of welfare service production. Due to the changes of the social laws, the organizational and legal form of the service provider no longer matters when it comes to financing and cost re-imburements. Similar to the U.K. and other European countries, re-imburement of social service provision in Germany is organized as a system of competitive tendering and is based on contract management. However, from a public policy point of view, amongst those that are sitting around the table discussing and setting-up prices and allowances for the various social services have always been and still are the representatives of the Free Welfare Associations in addition to government officials, representatives of the Churches and officials from the social insurance funds (for more information see Boetticher 2003: 21-45).

The marketization of social service provision is still a major concern of the Free Welfare Associations. However, compared to the early 1990s their membership organizations managed to adapt and to meet this challenge by becoming more business-like as well as by embarking on far-reaching processes of re-engineering of their organizational structures and procedures (for a case study see Nährlich 1998). Furthermore, the cost containment strategies of the Federal Government have up until now not endangered the policy architecture of the social welfare domain with the BAGFW and the German Verein as its anchor institutions.

Europe and Services of General Interest

Against the background of the long established governance arrangement in the social welfare domain, which as outlined in detail constitutes a formally institutionalized and highly recognized “policy community” in which the Free Welfare Associations are key players, the initiatives set into motion by the European Commission, which started with the proposal for a European Statute for Associations in 1991, were indeed perceived as a real threat by the German welfare associations. The perception that their key position in the social welfare domain was at stake was intensified by the very fact that there was a certain degree of entanglement and overlapping between the aforementioned paradigmatic shift towards competition and commercialization enforced by the German Federal Government in the early 1990s and the development towards a market driven European Union which was and still is high on Brussels’ agenda. It is interesting to see how the Free Welfare Associations reacted when confronted with a development or “external shock” that seemed to put into question

both their pole position in Germany's social service market as well as their legitimacy and normative underpinning that is deeply embedded in their organizational culture and tradition. The way the Free Welfare Associations reacted and how they managed this very specific challenge of "Europeanization" provides a textbook example for the endurance and stability as well as for the flexibility and power of the governance arrangement in the social welfare domain in which the Free Welfare Associations are specialist third sector-specific policy actors as well as anchor institutions. Furthermore, the debate in Germany in regard to European regulations had a very interesting outcome: To use the terminology of the TSEP-project, "horizontality" and thus close co-operation between the key actors of Germany's welfare domain – the Free Welfare Associations, the BAGFW, the German Verein and the respective Federal Ministries – was without any doubt intensified. Moreover, communication between Brussels-based third sector-specific policy actors, such as the Social Platform, and the German policy community in the social welfare domain was also strengthened and deepened. Indeed, it is right to argue that a "Europeanization" of the German policy community in the welfare domain has taken place due to the fact that from the very beginning there has been a mutual feedback process between the European policy community and the German policy community in the welfare domain. Step by step the Free Welfare Associations have acknowledged "Europe" as a new and very important political level.

Starting in the early 1990s according to the analysis of Lange (2001)²¹, the Free Welfare Associations underwent a process of adjustment and acknowledgment towards an environment that was fundamentally changed by Brussels regulation and by the so-called marketization. Although at the very beginning the associations still tried to defend the status quo, they increasingly adapted to the market environment from the mid-1990s onwards and are currently closing ranks by deepening and intensifying collaboration in European affairs. The following passage provides a short overview of the decisive steps taken by the Free Welfare Associations and their umbrella organization BAGFW in order to come to terms with the double threat of Europeanization and marketization.

In 1990, the BAGFW created a standing working group (*Arbeitsgemeinschaft*) "Europe" that rapidly developed into the main platform of discussion for the so-called EU-experts of each of the Free Welfare Associations. Already in the 1980s, the associations had begun to monitor developments at the European level by undertaking various initiatives, amongst those the

assignment of special positions for EU-experts within the associations, the opening-up of offices in Brussels (see chapter three Box Free Welfare Associations) and the close cooperation with the standing working group “Europe” created by the German *Verein*. Step by step, a sub-policy community exclusively focusing on European issues developed within the policy community of the social welfare domain in Germany. In retrospect this sub-community dealt with issues which indeed were perceived as a real challenge to the associations, thus putting into question the long-established governance arrangement in Germany’s social welfare domain: the Commission’s communication “Business in the Economie Sociale sector: Europe’s frontier-free market” published in 1989, the Commission’s proposal for a Statute for a European Association, a European Cooperative Society and a European Mutual Society from 1991, and last but not least the discussion and debate around the so-called Services of General Interest (SGI) (for detailed information see Brandsen et al 2005), which started in 1996.

In the first place, the Free Welfare Associations recognized that European integration and specifically the Common Market would affect the established governance arrangement of the social welfare domain in Germany in which they enjoyed a very privileged position characterized by generous public subsidies for the maintenance of their organizational infrastructure (see chapter three) and by the principle of subsidiarity that as outlined earlier served as a tool of rigid market regulation in favor of the members of the Free Welfare Associations. They feared and expected that the Common Market would quickly marketize all fields of social and health services and that the Statute of a European Association would open up the German market to competitors from other European countries, which would translate into a downgrading of social service provision in Germany. Against this background the service units affiliated with the Free Welfare Associations started what in German is called “reform-process” and which was described and characterized earlier as an intensive re-engineering of organizational structures and management procedures. In a nutshell: Social service units and health facilities run by the Free Welfare Associations were turned into business-like enterprises. Simultaneously, BAGFW in Berlin and Brussels started to lobby on behalf of the maintenance of the European interpretation of “subsidiarity” that translates into a situation where national governments and not Brussels are thoroughly in charge of regulating social policy, including social service delivery. In the second half of the 1990s it became obvious that the Common Market did not pose an immediate threat to the governance

²¹ The following chapter draws heavily on the work of Chris Lange. For further information see also: Linzbach et al 2005

arrangement of the social welfare domain in Germany. In the meantime, the Free Welfare Associations had already managed to adapt to the new policy environment of the social service market in Germany.

However, the process of organizational re-engineering of the Free Welfare Associations and their affiliated organizations had an interesting side-effect that by and large is not discussed in the literature, but focuses on efficiency gains and thus on the economic impact of organizational re-structuring. In a nutshell: The Free Welfare Associations started to re-evaluate their image and self-perception. As outlined in detail in chapter three, these organizations had experienced an impressive success story since the late 19th century when they started as an integral part of a local private welfare culture predominantly based on the input of volunteers. From the mid-1990s onwards, the process of organizational re-engineering was complemented by initiatives of the Free Welfare Associations that aimed at “going back to the roots” by working out mission statements and by re-adjusting their organizational culture and identity to a changed environment. It does not come as a surprise that against this background the Free Welfare Associations re-discovered volunteering and civic engagement as specific virtues closely connected with their tradition and identity. As already mentioned in chapter four, the first survey on volunteering (1999) was made possible by the initiative of a group of the German Parliament in which members of all parties were working together. In sum, the policy community of Germany’s social welfare domain, of which the Free Welfare Associations are the most important anchor institutions, re-discovered volunteering and civic engagement as special traits documenting the specificity of non-profit social service delivery. Interestingly enough civic engagement rapidly developed into a well-acknowledged paradigm that neo-liberals, reformed Social-Democrats and traditional Christian Democrats alike highly welcomed and agreed upon, although the various factions still have different ideas and concepts in mind while referring to civic engagement and volunteering (see Beher et al 2001).

When the discussion about Services of General Interest regained importance after 2000, the Free Welfare Associations were well equipped to meet this challenge. In the meantime, they had built up lobbying power in Brussels. German representatives are very present in the so-called Euro-Feds, which with respect to the European policy process are trying to safeguard third sector interests. There is a “flow” and overlapping of personnel between European institutions, the Free Welfare Associations, Euro-Feds in Brussels, the German Verein, and the Social and Economic Council. Furthermore, in 2000 in close co-operation with the

German Verein, the Ministry of Family, Youth, Women and Senior Citizens set up the *Oberservatorium für die Entwicklung der sozialen Dienste in Europa* (Oversight Group for the Development of Social Services in Europe) with the primary task to monitor the development of social service provision across Europe. The establishment of this Oversight Group was directly connected to the revival of the debate on Social Services of General Interest. From an organizational point of view the Observatory constitutes a branch of the *Institut für Sozialarbeit und Sozialpädagogik e.V.*, an independent voluntary organization, however, it is hosted by the German Verein in Frankfurt and financed by the Ministry of Family, Youth, Women and Senior Citizens. The Oversight Group rapidly developed into a highly appreciated forum of discussion and source of information that significantly intensified communication and exchange of ideas between the social policy community in Brussels and the one in Germany. In sum: The Oversight Group works like a think-tank whose primary task is to provide guidance and policy advice for the Free Welfare Associations in a rapidly changing European environment. Specifically with respect to Europe there is a close nexus between positions and points of view put forward in the publications of the *Observatorium* and those that are to be found in the publications issued by the BAGFW. A textbook example is provided by the BAGFW-Memorandum, issued in 2004 the *Zivilgesellschaftlicher Mehrwert gemeinwohlorientierter sozialer Dienste* (The Civic Added Value of Voluntary Social Services), which clearly builds on the results of various projects and conferences conducted and organized by the *Observatorium*. From a policy point of view, the Memorandum is a very interesting document because it provides a rationale for the uniqueness of the Free Welfare Associations that are simultaneously business-like enterprises and social policy entrepreneurs. The associations manage and are able to link these very different worlds of organizational behavior and culture because they are deeply embedded in Germany's civil society. Indeed in the social welfare domain the associations constitute the organizational infrastructure of civic engagement and volunteering. With respect to Europeanization, the welfare associations no longer defend the German version of subsidiarity. Instead they worked out an alternative position by pointing out the specificity of social services provided by the Free Welfare Associations, which always have been and still are embedded in local communities, thus having always built on civic engagement and volunteer input.

6. Towards an Understanding of Germany's Third Sector Policy Community

Introduction

From a comparative perspective Germany's governance arrangement in the social policy domain in which third sector organizations, i.e., the Free Welfare Associations, are core players and anchor institutions, stands out for its

- scope of public-private co-operation
- durability and flexibility and
- capacity for adjustment when confronted with environmental challenges.

The Free Welfare Associations are the most important service providers in the areas of health and social services besides public entities. With more than 2.5 million employees, they are the largest private employers in the country. Their growth and economic success story were made possible by a strong and durable partnership with the German state at every level of government. Backed by the concept of "subsidiarity" from the late 19th century onwards, the Associations and their service units developed into a functional equivalent of public social and health service production. By and large publicly financed, either by allowances of the insurance funds or government subsidies, the Associations are nevertheless private organizations operating independently from government. Neither the upheavals of German history nor recent paradigmatic shifts of the welfare state ideology, specifically the trend towards so-called marketization led to an erosion of the German governance arrangement in the social policy domain. On the contrary, in the light of Europeanization the well-established and highly appreciated policy network in the social welfare domain with the Free Welfare Associations being its anchor institutions gains further ground particularly at the European level in Brussels.

Against this background the following questions have to be addressed: Why does Germany enjoy such a stable policy community in the core social domain? And furthermore, why have the Free Welfare Associations been capable of keeping their pole position in the social welfare domain despite rapidly changing environments? From a comparative perspective these questions are worthy of attention because horizontality or cross-cutting policy turned out to be a rather new feature of the social welfare domain in the countries under study of the TSEP-project, whereas in Germany from its very beginning in the late 19th century the country's governance arrangement in the social welfare domain has stood out for both

horizontality and incorporation of the Free Welfare Associations as specialist third sector-specific policy actors.

The TSEP-project addresses the “why question” by referring to the advocacy coalition framework (ACF) elaborated by Paul Sabatier (Sabatier 1998, 1999) to serve as a point of departure for analyzing the policy process. The framework distinguishes between a) “relatively stable parameters” and b) “external system events” whose specific interplay channeled through “constraints and resources of subsystem actors” results in the establishment of “policy subsystems” constituting the arena for policy development and change. Since the ACF puts a great emphasis on process, policy subsystems are also perceived as action driven and thus characterized as the interplay of different “coalitions” that are tied together by “policy beliefs” and enabled to operate by “resources”. Due to the fact that the framework provides an analytical tool for studying the policy process, those members or actors of the policy subsystem that promote the policy agenda form an “advocacy coalition” that, according to Sabatier, is backed by “policy core beliefs” constituting “the fundamental glue of coalitions because they represent basic-normative and empirical commitments within the domain of specialization of policy elites” (Sabatier 1998: 103).

Referring to the German situation, we have to keep in mind that the ACF was primarily designed for analyzing policy change. On the contrary, Germany’s policy community in the core welfare domain provides a textbook example of durability and stands out for its high degree of institutionalization. Therefore, the following chapter uses the “sets of variables” put forward by the ACF as an analytical tool to explain the longevity and high degree of stability of Germany’s governance arrangement in the core welfare domain in which the Free Welfare Associations as a unique type of nonprofit organization are holding a “pole position” almost since the very beginning of the German welfare state.

Relatively Stable Parameters

According to Sabatier the following variables constitute the set of stable parameters:

1. Basic attributes of the public area (good)
2. Basic distribution of natural resources
3. Fundamental socio-cultural values and social structure
4. Basic constitutional structures (rules)

This set of variables was thoroughly dealt with in the previous chapters. With respect to the basic constitutional structure, Germany is characterized as being a “semi-public state” looking back upon a long tradition of neo-corporatism. Unlike in France and the U.K., associations have always been part of the policy arena and as such highly appreciated partners of policy making. This is specifically the case in the “public arena” of the core welfare domain. Moreover, in accordance with the typology of Arend Lijphardt, Germany’s political system carries significant features of the “consensus model of democracy” (Lijphardt 1999). Although the country’s party system is characterized by an intensive competition between the two major “catch-all parties” - the Social Democrats and the Christian Democrats -, policy and politics are highly dependent on consensus formation. Unlike in the U.K. there are many so-called “veto positions” embedded in the German system. Amongst those, federalism in the German variant of “co-operative federalism” counts most prominently. The German Laender are represented in a second chamber – the Bundesrat –, which with respect to legislation acts on almost equal terms with the first chamber – the Bundestag –, primarily due to the fact that the majority of laws have to be signed by both chambers. Moreover, the electoral system encourages coalition governments, which are commonplace in Germany at every level of government – local, regional and federal. Finally, there is a long tradition of community self-government. Although the local parliaments do not enjoy legislative power, they are nevertheless dominated by party discipline. Against this background, all German parties always are in power at least somewhere.

German associations are closely linked with the parties. There are many examples of overlapping membership. Moreover, there is a close nexus between parties and associations in the social welfare domain and in other policy fields due to the fact that the German parties still today are ideology-bound, representing specific social milieus. As already outlined in chapter four, each of the Free Welfare Associations is also still today embedded in a special social milieu standing for a specific value-set, which again expresses a normative “closeness” to one of the German parties. While Caritas and Diaconia as the two church-related associations have close ties to the Christian Democratic Party, AWO was originally constituted as a branch of the Social Democratic Party. Furthermore as already indicated, German associations in the core welfare domain and in other policy fields are thoroughly integrated into the policy process because the country is characterized by neo-corporatism. Against this background German associations, including the Free Welfare Associations, maintain good contacts with the German bureaucracy, which is highly professionalized at

every level of government. There are “iron triangles” in almost every policy field in Germany. With respect to the core welfare domain the “iron triangle” or “policy community” is built upon an institutional architecture that, predominantly financed by public subsidies, consists of the Free Welfare Associations, the Consortium of Free Welfare (BAGFW) and most prominently the Association of Public and Private Welfare (*Deutscher Verein*), constituting a very specific type of „public sphere" (Sachße 1996: 169).

With respect to the basic distribution of natural resources, the core welfare domain has always been perceived as a prime arena of policy making since the very beginnings of modern German statehood in the 19th century. Indeed, from a comparative perspective the country stands out for its costly welfare state. Furthermore, state funding in the social policy domain goes far beyond service delivery. As outlined in chapter four the institutional architecture of Germany’s policy community in the welfare domain receives generous public funding.

In other words, the institutional architecture of the core welfare domain with its described organizational triads constitutes itself a stable parameter of the German basic constitutional structure, which is characterized by the international literature as being both neo-corporatist and consensus-oriented. This institutional architecture and primarily the prominent position of the Free Welfare Associations are further backed by a set of fundamental socio-cultural values. Amongst those, the principle of subsidiarity linked with the country’s tradition of community self-government counts most prominently. As outlined in detail in chapters two and three, the German welfare state doctrine was originally designed to address primarily the so-called workers question, while taking care of the poor and not-well-to-do was perceived as a task assigned to the communities and local governments. The predecessors of the Free Welfare Associations were locally active voluntary organizations, which, backed by a “private culture of welfare”, were predominantly working with volunteers at the community level. Along with the development and maturation of the German welfare state, the “private welfare culture” was increasingly incorporated into a unique system of public-private partnership with respect to social service delivery. Although nowadays social and health service delivery is predominantly financed by state regulated insurance schemes and by government subsidies, the Free Welfare Associations still today perceive themselves as societal actors embedded in a private welfare culture looking back upon a long tradition of subsidiary social service provision. From a comparative point of view, Germany’s socio-cultural value set in the core welfare domain, which is very much in line with Esping-

Andersen's characterization of the conservative welfare state, provides the normative underpinning for the pole position of the Free Welfare Associations in the country's social welfare domain. To pinpoint the argument: With respect to public policy in the welfare domain, there is no clear-cut division between state and society in Germany. Thus, the Free Welfare Associations are both social service providers and specialist third sector-specific policy actors operating on par with government.

Doubtlessly Sabatier's set of "relatively stable parameters" is quite helpful with respect to answering the question why Germany enjoys such a stable policy community in the core welfare domain. First and foremost, the Free Welfare Associations are themselves part of the institutional structure of the country. Indeed, as outlined at length, after the Second World War, the Associations were operating before the Bundesrepublik was founded. Amongst the stable parameters that further strengthened the pole position of the Associations are the country's neo-corporatist tradition of policy making as well as its co-operative federalism since these two "relatively stable parameters" both ask for associations as conduits and facilitators of multi-level governance. The prominent position of the Associations is further stabilized by Germany's consensual democracy which, backed by the country's party system as well as its electoral system, stands out for a close co-operation between associations, government and the state bureaucracy. Finally, the policy community is backed by a set of fundamental socio-cultural values that give high priority to a generous welfare state whose social service production, however, is characterized by a mixed economy in which traditionally the Free Welfare Associations play a major role.

External (system) events

In the following we turn to the set of "external (system) events" outlined in the ACF, which carry the potential of either supporting or constraining a policy community. According to Sabatier the following variables constitute the set of external (system) events:

1. Changes in socio-economic conditions
2. Changes in public opinion
3. Changes in systemic governing coalition
4. Policy decisions and impacts from other subsystems.

Interestingly enough, despite Germany's turbulent history, the Free Welfare Associations were able to keep their pole position in the core welfare domain. As outlined at length in the

previous chapters, since the beginnings of the Bundesrepublik, the Associations as specialist third sector-specific policy actors have been an integral part of a highly institutionalized “policy community” that, in addition to the associations, consists of the German Associations for Public and Private Welfare and the Consortium of Free Welfare (BAGFW) (see for details chapter four). This leads to the central question why the Free Welfare Associations have been able to keep their pole position in the social welfare domain despite significant external system events. Amongst those that count most prominently are:

1. German re-unification that resulted in a significant change of the country’s socio-economic conditions as well as in a change in its systemic governing coalition.
2. Change of paradigm with respect to welfare state policy that resulted in the marketization of social service production.
3. Societal modernization and thus changes in public opinion that led to an erosion of the social milieus in which the German parties as well the Free Welfare Associations are traditionally embedded.
4. Europeanization of public policy as an impact from another subsystem.

Each of these external shocks was dealt with in chapter five. As already documented, German re-unification resulted in a success story for the Free Welfare Associations. Supported by generous government subsidies, the Associations built up a remarkable organizational infrastructure in the new Laender. Since the German government managed re-unification through “institutional transfer”, the policy community in the core welfare domain was not put into question, but on the contrary simply extended to the territory of East Germany. Because the Free Welfare Associations hold close contacts to the parties, the change in the systemic governing coalition in the mid-1990s did not endanger the policy community in the core welfare domain. The change of the Federal government coalition resulted in a gain of influence on behalf of the AWO, the Free Welfare Association with close ties to the German Social Democrats. The Free Welfare Associations even managed to incorporate a major social service provider that was originally founded in the German Democratic Republic but continued to operate in the New Laender. By becoming a member of the Parity, the former East German *Volkssolidarität* joined the policy community in the social welfare domain.

Neither societal modernization nor the so-called marketization of social service delivery led to an erosion of the policy community. However, how the Free Welfare Associations managed to cope with these external system events is quite striking and unique. In a nutshell, the

Associations followed a double strategy that aimed at becoming more business-like as social service providers, while simultaneously bringing their civicness to the fore.

Indeed, the so-called thread of the market had a major impact on the Free Welfare Associations, particularly on their management procedures and on their self-perception. As already outlined in detail, starting in the early 1990s the Associations embarked on what they titled a “reform process” of introducing new public management techniques. The service units of the Associations were turned into business-like entities. Some of them even changed their legal form, thus opting for the organizational form of a corporation. At the same time, slowly but nevertheless steadily, a development began to take place under the umbrella of the Associations which might be called a “back-to-the-roots movement”. In a nutshell, confronted with a policy situation in which they were forced to prove their uniqueness and distinctiveness compared to for-profit competitors, the Associations pointed out that they have traditionally been part of local communities working with a respectable number of volunteers. Simultaneously the Associations began to sharpen their profile as advocacy groups, pointing out that from their very beginnings they had always acted on behalf of the needy and not-well-to-do. Along with the “back-to-the-roots movement” the topics of volunteering and civic engagement steadily regained importance for the self-perception of the Associations. By stressing their civicness, the Associations linked up with a societal and political trend, which finally resulted in the establishment of the Federal Network for the Promotion of Civic Activities (see chapter four).

The Associations took the same route in order to cope with the increasing tensions caused by the erosion of their traditional milieus. As outlined in detail (see chapter four), with the exception of AWO and the German Red Cross, individual membership is not a feature of the Free Welfare Associations. Whereas in the case of Caritas and Diaconia, individual affiliation is organized via church membership, the Parity constitutes an umbrella for those social service organizations, which unlike AWO or the Central Welfare Agency of Jews do not claim any ideological underpinning. Therefore, many self-help groups that are *Vereine* (registered voluntary organizations) are members of the Parity. Since the mid 1980s the Parity has to a certain extent developed into the conduit for the integration of “new members”, expressing new social trends and movements into the established policy community of Germany’s social welfare domain. Via the Parity many self-help groups as well as the

Volkssolidarität of the former German Democratic Republic are today represented in the Consortium of Free Welfare (BAGFW).

Confronted with the erosion of their social milieu and therefore threatened by the loss of their societal embeddedness as well as their normative legitimation to act on behalf of government, the Associations highlighted their specificity by underlining that they are different compared with for-profit social service providers. According to their interpretation, there is a civic added value of the Associations' social service provision that sets it apart from its for-profit competitors. The civic added value refers to the fact that the Associations are both efficiently managed social service providers and an integral part of local communities providing the organizational infrastructure of civic engagement and volunteering.

Finally, the Associations took the same route to counteract the effects of Europeanization of public policy in the social welfare domain. Again they followed a double strategy by no longer denying that they are service providers and thus actors in the growing market of health care and social service provision in Europe. Simultaneously, the Associations stressed their civicness as well as their advocacy function. As described in detail in chapter five, the Associations managed to intensify their communication related to the so-called European thread. In a nutshell, the German policy community in the social welfare domain moved closer together by intensifying their co-operation related to European topics in the Consortium of Free Welfare. Worked out by the Consortium, the Free Welfare Associations launched a common statement, the memorandum *The Civic Added Value of Voluntary Social Service (Zivilgesellschaftlicher Mehrwert gemeinwohlorientierter sozialer Dienste)* in 2004, in which they laid out the reasons why social services are distinct and thus different from straightforward market commodities. Against this background the memorandum explicitly refers to the uniqueness of the Free Welfare Associations, which due to their embeddedness in "value communities", and furthermore due to their civicness, they are particularly suited for the provision of social services. In sum, the Associations increasingly referred to the concepts of "civicness" and "volunteering" in order to provide a rationale for safeguarding their pole position in the social welfare domain while confronted with the impact of Europeanization. As also described in chapter five, the Free Welfare Associations expressed a high degree of "policy entrepreneurship" in order to protest and counteract the European initiatives around the topic of "Services of General Interest. Indeed, the Associations used their pole position in the national policy community of the social welfare domain to lobby the German government.

Simultaneously, the Associations intensified lobbying activities at the European level. Furthermore they significantly improved the flow of information between the two levels. This was made possible by channeling and spreading information through the Euro-Feds, particularly the Social Platform and the Social and Economic Council. Finally, the Observatory for the Monitoring of Social Services in Europe set up by the German government and located under the umbrella of the German Association for Public and Private Welfare also developed into an important platform for the dissemination of ideas at the European as well as at the national level.

7. Conclusion

The reasons the Free Welfare Associations have been able to keep their pole position in the social welfare domain despite significant external system events are manifold. However, two rationales should particularly be highlighted:

First, the Free Welfare Associations expressed a high degree of flexibility with respect to the change of the so-called welfare state paradigm. Because the Associations are loosely coupled systems, they are able to unify any organizational form under their umbrellas. This translates into a situation in which membership of the Free Welfare Associations is multi-faceted. Business-like social service units organized as limited corporations as well as small self-help groups or kindergartens financed by membership dues are simultaneously members of the Free Welfare Associations. In other words, the Associations are able to combine the logic of business-like social service production with the logic of civicness and advocacy. In sum, the complexity of the organizational arrangement of the Free Welfare Associations facilitates problem solving.

Second, path-dependency with respect to public policy provides the main rationale for the longevity of the policy community in the social welfare domain. Hybridization of the public and private spheres is the most prominent feature of the German policy community in the social welfare domain. Against the background that the governance arrangement in this specific policy field is deeply embedded in the basic constitutional structure of the country, indeed it is an integral part of the structure itself, neither government nor the Free Welfare Associations have any interest in changing this arrangement fundamentally. This leads to a

situation in which, from the perspective of government, flexible adjustment in order to cope with external system events turns out to be the favored strategy. In a nutshell, the German government by and large builds on the specific “public sphere” provided by the German Association for Public and Private Welfare in order to achieve both monitoring of the environment as well as setting up an institutional alternative whose aim is to integrate the new topic that is either caused by changes in the socio-economic conditions and in the public opinion or by impacts from other subsystems, into the established policy community. The two recently founded institutions – the Federal Network for the Promotion of Civic Activities and the Observatory for Monitoring the Development Social Services – are both established under the umbrella of the German Association for Public and Private Welfare and are both predominantly financed by the German government. Whereas the Network facilitates the promotion and further integration of the new concepts of civicness and volunteering into the established policy community in the social welfare domain, the Observatory’s tasks are twofold: to monitor the development of the European market of social service provision, and to function as a think tank and consultant for the German policy community, thus enabling the community to cope with the impact of Europeanization in the core welfare domain.

In sum, the institutional architecture of the governance arrangement in the German welfare domain stands out for a high degree of flexibility. The fundamental “glue” of this arrangement and thus its core belief might be characterized as an updated version of subsidiarity which, encompassing civicness and volunteering as generic concepts, favors a “European model” of social service delivery that is not thoroughly market-driven but takes the specificity of personal social services into account. Currently the policy community of the German social welfare domain is very active at the European level joining forces with other specialist third sector-specific policy actors in order to promote and disseminate the ideas and concepts laid down in the memorandum “The Civic Added Value of Voluntary Social Services”. If the policy community is successful in promoting such ideas at the European level, the policy decision taken by the EU will have the very impact to further stabilize the governance arrangement of the social welfare domain in Germany.

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Appendix 1: Working Glossary

Version of 21 April 2005

Case refers to the TSEP unit of analysis in relation to public policy as a multi-level process: there are ‘closed cases’, being particular policy events/programmes chosen to capture a range of policy modes and stages in the policy process of relevance to the third sector in Europe; or ‘open cases’, which are more thematic and diffuse in character. The former include the European Statute of Association; Global grants for social capital; the Convention/Constitution; National Actions Plans for social exclusion and employment; and the United Nations Year of Volunteering; the latter include Services of General Interest; and the European Structural Funds and the third sector at the sub-national level.

Coalition refers to alliances of policy actors, who can be individuals or organisations, who come together to pursue shared values, concretely expressed in policy change or policy perpetuation goals. Understanding the functioning and roles of such coalitions in national, EU or multi-level contexts requires accounting for the nature of their values and goals; the economic, political and cultural resources they are able to mobilise, and the political opportunity structure within which they operate. In the TSEP network, research effort has been directed at describing and analysing coalitions formed and perpetuated by full or part time *specialist third sector-specific policy actors*

Collective noun refers to the language used by domestic or EU level actors to group organisations sectorally at a level higher than *vertical policy fields*, and involving some implicit or explicit reference to ownership and control not reducible to either the market or the state. In some countries the collective noun and associated expressions involves a relatively stable or dominant language supported by formal or informal institutions and practices, while in others there is a more open field, with competing concepts and formulations, often fluidly co-existing and interacting with one another. Examples in Europe at the EU and national levels of expressions sometimes used in this way (and sometimes also used in other ways) include associations, [social] [action] NGOs, non-profit sector, nonprofits, organised civil society, popular movements, social economy, social enterprise, solidarity economy, third system, voluntary [and community] sector.

Community method has been described by the Commission as ‘a procedure leading to decisions or Act, involving balanced participation [at the EU institutional level] between Council, the European Parliament and the Commission’. It was the ‘classical’ or ‘traditional’ method of processing EU policy in the second half of the twentieth century, but in the twenty-first is increasingly supplemented or displaced by the *Open Method of Co-Ordination* which rebalances control away from the EU institutional level, towards Member State level actors.

Cross-cutting is used as shorthand for third sector relevant cross-cutting, and refers to concepts/beliefs or policies/practices/actions which are not confined to within *vertical policy fields*, but which are (a) either held to be relevant or applied discretely but according to common principles within two or more vertical policy fields, especially in the social welfare domain; or (b) which are held to be relevant/applied as a matter of ‘generic’ policy. Policy development in relation to these processes typically involves *specialist third sector-specific policy actors* within and outside the State, forming relatively loosely coupled ‘policy networks’ and/or a more formally institutionalised and recognised ‘policy community’ nominally involving a core of shared values and beliefs expressed in political rhetoric and/or

the technical codified discourse associated with specialist policy instruments. The result can be the creation and perpetuation of a policy space jointly recognised by these experts as constituting the subject matter of third sector policy (using some collective noun) which is not reducible to the policy contents of a particular vertical field.

Domain Used to specify the level of policy between vertical policy field and the macro system of policy and politics. In relation to the third sector, the domain which TSEP has demonstrated is of most (but not universal) relevance is the *social welfare domain*.

European problem set refers to the cluster of high salience European policy issues or problems with which the third sector has most consistently been linked by policy actors at European, national and sub-national levels. Included here are *governance*; *social exclusion*; and unemployment. These organisations are seen as ‘partners’ whose contributions can and should be mobilised as part of the process of problem management, or problem solving.

Governance has multiple and contested meanings; but at its broadest, it can be used to refer to institutionally ordered arrangements for shaping the processing of policy at the key stages of agenda setting, decision making, implementation and evaluation. It tends to be linked to steering or strategic - as opposed to tactical – processes; patterned as opposed to unstructured relationships and interactions; and to be associated with such values as accountability, transparency, and effectiveness. The ways in which the third sector is linked to governance varies significantly across contexts, but often considered in scope are issues both in relation to internal governance – the design and application of appropriate legal structures and micro-constitutional models in the light of third sector specificities such as voluntarism and non-profit-distribution; and issues in relation to external governance, including how the third sector can and should fit as an actor at each of the policy stages, wherein it is one policy actor amongst many.

Horizontal policy is synonymous with *cross cutting* policy. Note that there are ‘pure’ cases of horizontality, whereby policies or concepts are related to the entire third sector as defined in the relevant collective nouns. But we *also* include as ‘horizontal’ narrower-in-scope concepts or policies which cut across some but not all *vertical fields*. In particular, overarching social welfare regime policies and practices, social inclusion policies and community development policies can be considered in scope, even if not extending outside the *social welfare domain*, to the extent that they necessarily suggest, involve or imply, participation by the third sector and its stakeholders.²²

Industry-specific policies Policies relevant to a particular *vertical field* only.

Mainstreaming is shorthand for *Public policy* mainstreaming and refers to a situation in which the mainstreamed policy issue or problem (here, the third sector) is not only supported by technical institutions, but has high political and social visibility, and is seen by systemically powerful actors as of high generic public policy salience.

Multi-level process refers to how the European, national and subnational levels of public policy are inter-related. The extent to which this constitutes third sector policies is examined in the TSEP network by policy *cases*. Note that this is not synonymous with multi-level

²² Note that other writers use this term differently, often including *intra-vertical* policy field *multi-sector* initiatives as horizontal, while we do not consider *per se* as the core subject matter of our network. However, indirectly such policies may lead indirectly to our notion of horizontality, through spillover effects or *ex post* political construction of policy, as noted elsewhere.

governance - which is typically used as a framing concept to claim that substantive power is situated at more than one levels. The extent to which multi-level processes involve a reconfiguration towards multi level governance is treated as an open question for research.

Open Method of Coordination is based on mutual agreement of policy objectives by Member States; the development of common guidelines, indicators, and targets; benchmarking of performance and exchange of good practices, formulation of national action plans; and peer review and joint monitoring of implementation in an iterative multi-year cycle. It increasingly supplements and even displaces the *Community Method*.

Path dependency Refers to how historical policy decisions create a ‘policy legacy’, which can have long term consequences for the possibilities of current and future policies

Policy is used in TSEP as shorthand for *public policy*.

Policy entrepreneurship refers to actions taken either to deliberately change, or to deliberately protect, public policies – here, third sector specific policies. Such efforts typically involve the formation of coalitions between individuals or organisations, or both and are heavily constrained by national political opportunity structures. In the TSEP network, research effort has been directed at describing and analysing the entrepreneurship of full or part time *specialist third sector-specific policy actors*.

Most horizontal third sector policy entrepreneurship takes place at the national level or below, but there are some individuals and organisations who specialise at the EU level, and some who operate on multiple levels.

Policy field shorthand for *vertical policy field*.

Policy mode is a helpful way of recognising and analysing the different types of broad policy approaches that jointly constitute the highly complex EU public policy process. Examples of distinctive modes are the *community method* (relevant to the third sector in the European Statute of Association case) and the *open method of co-ordination* (relevant to the third sector in the case of National Action Plans for *social exclusion* and employment).

Policy learning refers to the impetus for policy change which occurs when actors adopt strategies, or various forms of policy belief, in the light of experience; or policy changes due to new information and analysis, generated by *policy entrepreneurs*, perhaps operating as part of *coalitions*.

Public policy comprises two elements. Unless otherwise qualified, ‘policy’ refers to intended courses of action which are explicitly and proactively articulated by actors with significant levels of political authority, and reflected in patterned policy discourse, events and institutions. If past policy decisions continue to be relevant because (due to *path dependency*) they shape current administration practices, resource allocation and the distribution of power, but they are *not* actively sustained and pushed as a categorical, proactive policy, they can be described as ‘latent’, that is implicit, policy. ‘Public’ refers to institutions and events involving ‘that dimension of human activity which is regarded as requiring governmental or social regulation or intervention, or at least common action’ (Parsons, 1995).

Social exclusion has been defined by the European commission as ‘referring to the multiple and changing factors resulting in people being excluded from the normal exchanges, practices

and rights of modern society. Poverty is one of the most obvious factors, but social exclusion also refers to housing, education, health and access to services.

Social welfare domain This corresponds to the ‘welfare state regime’ policy space. It is a ‘meso level’ concept nested within, and developmentally bound up with, the prevailing generic national political and public policy system, while being broader than a single *vertical field*. Within it are the family of ‘human services’ or ‘social [welfare] services’ whose vertical components include ICNPO groups 4 (‘personal’ social services, or social care, and income maintenance), group 6 (development and housing, including employment & training), part of group 7 (advocacy, to the extent it is geared towards social welfare; and excluding political parties); group 3 (health) and group 2 (education & research). Many of these services are (jointly) implicated in tackling *social exclusion*. Note that this formulation is not limited to ‘service provision’ in the sense of ownership and management of establishments (as with provision of care homes, social housing) but inclusive also of social welfare oriented activities in addition to/separate from direct services, including social welfare oriented self-help and community based activities, advocacy (campaigning on social policy issues, and individual clients’ rights etc), involvement in social welfare and social policy design, monitoring etc

Specialist third sector-specific policy actors are the carriers of purposive *third sector specific policy* who claim to hold relevant expertise and knowledge. They may be full time specialist individuals or organisations, but such actors are often part time, fulfilling this role separately and/or in conjunction with other contributions to the policy system (particularly in the social welfare domain). They operate within and outside the State, forming relatively loosely coupled ‘policy networks’ and/or a more formally institutionalised and recognised ‘policy community’, or ‘policy communities’. At a minimum they share a language involving third sector collective nouns (otherwise they cannot be specialists); they may nominally claim to share a core of values and beliefs in relation to the third sector, expressed in political rhetoric and/or the technical codified discourse associated with the relevant specialist policy instruments. The result can be the creation and perpetuation of a policy space jointly recognised by these experts as constituting the subject matter of third sector policy (using some collective noun) which is not reducible to the policy contents of any particular vertical field.²³

Spill over effects Policy effects and actions designed to apply in one domain or field which have consequences once adopted - and thus implicitly or explicitly, shape policies in other domains or fields.

Third sector at the highest level of generality refers to organisations situated between the market and the state in terms of ownership and control. TSEP needed more specificity to initiate research into this construct as an object of policy: It was therefore provisionally taken to include those organisations which are self-governing and constitutionally independent of the state; do not involve the distribution of profits to shareholders; and benefit to a significant degree from voluntarism. This was an initial orienting working definition of the third sector - but in application, this has had to be sensitive to national conditions, since our unit of

²³ Policies may not be cross cutting *initially* if developed independently within vertical policy fields; but *become* cross cutting if *ex post* ‘joined up’ by significant policy actors coordinating across or (if powerful) able to authoritatively transcend vertical policy fields. These policies can then be viewed after, and only after, the formative, politically constructive event of ‘joining up’ by policy actors as jointly constituting a shared ‘horizontal’ policy; otherwise they are considered not to exist as ‘horizontal’, or only ‘latent’.

analysis has been the actual existing horizontal policy community or communities with its associated constructs. In other words, the specific “indigenous” conceptualisation (or conceptualisations) deployed in practice was a question to be determined empirically, not *a priori* imposed.

By referring to more than one collective noun, and the relative salience of each from the perspective of policy network or community members, we are also able to reflect differences within countries, where boundary disputes and the contest between competing definitions is itself part of the policy process (since notions putting the accent on ‘civil society’, ‘voluntarism’, and ‘social economy’ for example, typically co-exist).

Third sector [specific] policy is usually used either as shorthand for *horizontal* third sector policy; or to refer to the sum of horizontal cross cutting policies, policies which are partly horizontal and partly vertical. As used in this network, it is by definition concerned *only* with public policy that is horizontal to at least a certain extent. It thus can contain both ‘deliberate’ policy designed or constructed for the third sector, and policies which are more accidental, *ex post* constructed as third sector policies, and therefore seen as relevant by actors who style themselves as third sector stakeholders.

Third sector specific policies are sustained by policy networks and/or policy communities, where the latter are characterised by specialisation, involving claims-making in relation to expertise. In these specialist networks and/or communities, the third sector is often - but not always - coupled to problems and issues associated with the social welfare domain, particularly social exclusion and unemployment. The agendas of these policy networks or communities tend to include reference to the third sector’s policy environment in terms of legal structures and wider governance arrangements; institutional processes for mediating third sector-public sector/State relations; arrangements for involvement across policy stages and policy modes; and the promotion of voluntarism, including volunteering.

Third sector stakeholders include actors who consciously have a significant role in third sector policy. It includes third sector organisations themselves, but also other actors including politicians, public officials, the social partners, academics, the media, and business.

Vertical policy field Policies that are developed and apply essentially *within* a particular field or domain: here, horizontal institutions may differentiate between organisations but in the background or incidentally, rather than as the focal point of policy activity. To define ‘field’ boundaries, we follow the standard industrial classification adapted to account for the specificities of the third sector, as represented in the International Classification of Nonprofit Organisations (ICNPO). Policies which relate to a particular Group or subgroup of the ICNPO are considered ‘vertical’; while those which relate to two or more fields may be considered horizontal, either ‘narrower’ or ‘broader’ according to the range of fields in scope. Empirically in Europe, relevant policies are often (but not always) closely linked to the *social welfare domain*.

Appendix II: The Free Welfare Associations: Social Inclusion and Employability - An Overview of Initiatives and Programs

Fostering Employability

In Germany, design and funding of projects concerning the reintegration of unemployed or disabled persons into the labour market has been mainly carried out through the membership organisations of the Free Welfare Associations. Among the services offered are advisory services for the unemployed (including information on social benefits), qualification measures preparing for the job or continuing education and furthermore, employment-creation measures. Additionally, the Free Welfare Associations themselves create jobs through part-time employment and engage in work redistribution through new forms of flexible working hours. Finally, the central associations of Non-statutory Welfare are involved in the lobbying for unemployed people.

German employment centres do not engage in employment-creation measures (*Arbeitsbeschaffungsmaßnahmen*) themselves but delegate this task to other institutions and organisations such as the Free Welfare Associations. The unemployed are assigned to the membership organisations of the Free Welfare Associations via the employment centres. In the year 2000, 61,4% of the employment-creation measures and 65,6% of the structural adjustment measures in Germany were carried out by membership organisations of the associations (Liebig/Karla, 2003: 135). Funding has been given especially to those institutions which enhance the chances for long duration employment or create employment for persons for whom placement is especially difficult due to multiple reasons. Among these are severely disabled persons, persons with psychological impediments, persons without any school leaving certificate etc.

Additionally, the Free Welfare Associations were integrated in unemployment policies through the “Hilfe zur Arbeit” (*Help for employment*). Following § 421d of the third book of the *Sozialgesetzbuch* (SGB III), the Federal Ministry assists regional projects fostering cooperation between organisations affiliated with the Free Welfare Associations and local employment offices. Again, the programs of the associations are subsidised. This concerned so-called “general work opportunities” (§ 19 Abs 1 BSGH) and “non-profit work opportunities” (§ 19 Abs. 2, 3 BSHG), the latter referring in particular to persons not placeable on the labour market.

The SGB which has replaced the *Bundessozialhilfegesetz* knows two forms of “state-aided employment”: the former mentioned *Arbeitsbeschaffungsmaßnahme* (employment-creation measure) according to the SGB III and the *Arbeitsgelegenheit* (Employment opportunity) according to § 16 SGB II. For the NPOs, besides employment creation measures, especially those forms of employment are relevant, which do not form an employment relation liable to insurance deductions, which are in the public interest and which can be defined as “additional“. With these jobs, persons are still eligible for social benefits and social insurance and they are publicly funded. Employment is additional if it does not replace regular employment relations or impede the creation of the latter. In general, any organisation can be an agency of these additional jobs, still public agencies and NPOs are predestined to offer them. Funding of the employment opportunities is not regulated by the law and can thus be determined by the local authorities.

The traditional arrangement of publicly subsidised job creation measures in co-operation with the Free Welfare Associations continues after reforms introduced in 2004 under the name of

Hartz IV. The Ministry for Social and Family Issues and the Caritas, the German Red Cross and the Workers' Welfare Service have reached an accord in December 2004 concerning the creation of about 30.000 so-called "one Euro jobs" for unemployed persons within the Free Welfare Associations. This scheme is supposed to offer jobs for unemployed people while the earnings will not be deduced from social benefits. The jobs will mostly be situated in the fields of care for the elderly and childcare.

Market oriented activities

The „Social employment organisations“ (*Soziale Beschäftigungsbetriebe*) are relatively young institutions. They are publicly subsidised corporations managed by organisations affiliated with the Free Welfare Associations, which co-operate with local authorities and employment centres. They employ, qualify and advise unemployed persons. Employment is usually liable to insurance deductions and is paid according to agreed wages. Services and goods are produced and offered and market oriented to facilitate the re-entry into the labour market.

Publicly funded training and qualification activities

The funding of training and qualification measures is a focus of the active labour market policy. The SGB III knows transfers to the individual but also to the organisation offering the qualification activity. The *Bundesanstalt für Arbeit* (German federal labour office) can assign qualification activities to an organisation. As the financial promotion of these activities can not occur if they are in the interest of the organisation offering them, for-profit organisations are not subsidised and qualification and professional training measures for the unemployed are mainly offered by the chamber of commerce and industry, the qualification section of the Federation of German Trade Unions and by an enormous variety of larger and smaller organisations affiliated with the Free Welfare Associations.

Programs initiated by the Free Welfare Associations

The "Catholic Working Group Integration through Work" (*Katholische Bundesarbeitsgemeinschaft Integration durch Arbeit (IDA) im Deutschen Caritasverband*), founded in January 2001 is an umbrella of the catholic agencies in the field of qualification and employment of the unemployed under the patronage of the Caritas. IDA today has 86 member organisations managing about 160 employment and qualification facilities with approximately 3.580 employees. "Integration through work" is an important actor in the field of aid to those suffering from multiple impediments to employment.

The protestant association for work and social integration (*Evangelischer Fachverband Arbeit und Soziale Integration, EFAS*) is a union and work base for protestant agencies in the field of qualification and employment of those out of work including 87 members. EFAS offers regular information on labour market policies, information services and qualification in the field of services to the unemployed. Another focus is on European labour market policies and funding and quality management in the field of services to the unemployed.

The Workers' Welfare Service (*Arbeiterwohlfahrt, AWO*) offers qualification and work opportunities especially for the disabled and the unemployed youth. The *AWO Jugendberufshilfe* (Youth Employment Help) offers aid to persons up to the age of 27 who require additional advancement to enter the labour market. The services of the Youth Employment Help include: Training courses for job preparation, vocational training in the AWO training institutions or in co-operation with corporations and finally help concomitant to training like profiling, performance assessment and placing services as well as employment itself.

Supporting Social Inclusion

The Free Welfare Associations play a major role in the politics on social inclusions, in the agenda setting, the formulation and the implementation processes equally. First of all, the headquarters (*Verbandszentralen*) of the Free Welfare Associations comment on legislative projects and attend hearings. In the implementation area they offer economic and qualitative service securing a wide social infrastructure. In many areas the Free Welfare Associations are the most important providers of these services. The latter include support for families and single parents in the form of family care and rest centres for mothers and educational advice. Also, they offer programmes for migrants like counselling for foreigners, psychosocial centres for refugees and integration projects. They provide assistance for people facing situations of social distress, e.g. debt advice, counselling services via telephone, self-help groups, travellers' aid, shelters for the homeless etc. They also engage in the support and reintegration of addicts offering counselling and treatment services, specialised hospitals, and supervised apartment sharing communities and employment projects. Furthermore, they offer schooling and day-care, employment and vocational training to people with disabilities.

Projects for social inclusion are mainly conducted on the regional and not on the federal level. Still, there are examples for federal campaigns. The AWO, the Free Welfare Association affiliated with the German Social Democratic Party directed a project for the "Development and chances of young people in trouble hotspots" which included the creation and support of local networks in five model cities (Halle/Saale, Hannover, Bremen, Dortmund, Nürnberg). The aim is to support and advance disadvantaged districts in those cities and the children, youths and families who live there. Generally, the focus is on young people who are affected by deficits in local education, training and support services. Intercultural dialogue is enforced to facilitate the coexistence of young people with differing religious and ethnic backgrounds. Furthermore, young people get the chance to engage in non-profit activities in cultural, sports or social services. Additionally, the AWO in co-operation with the German Conference of Cities, among others, has initiated the competition „Social City“ which awards a prize to projects which have successfully worked for disadvantaged communities.

German Anti Poverty Conference (Nationale Armutskonferenz)

The German Anti Poverty Conference is a confederation composed of head associations of welfare organisations, nationally working associations on special social issues and self-aid organisations, and the German Trade Union Confederation (Deutscher Gewerkschaftsbund, DGB). The conference was founded in autumn of 1991 as the German section of the European Anti Poverty Network.

The aim of its work is to overcome the poverty problem and to initiate self-help activities among the poor via changed anti poverty policies. Activities concentrate on hearings (for example in 1993 concerning the question of a basic financial security system), internal work groups, external work groups situated in the respective ministries, publications and participation in consultant projects in co-operation with the federal ministries.

As part of the "European Anti Poverty Network" the German Anti Poverty Conference engages in the creation of European Social Policy. Additionally on the micro level, five regional Anti Poverty Networks have been founded in the German states, in Saarland, in Niedersachsen, Thüringen, Mecklenburg-Vorpommern and in Sachsen respectively.

Poverty Reports (Armutserichte)

In the 1980^s, official regional poverty reports were introduced in Germany. Cities, local authorities and Laender have since then regularly commissioned the investigation of the life of the poor in Germany. Especially the local authorities were active in this field as they are concerned by mounting numbers of welfare recipients. Until 2000, when the Bundestag ordered the Bundesregierung to investigate into the poverty problem, there has never been a

federal poverty report. The first poverty report of the Bundesregierung is called *Lebenslagen in Deutschland* and was developed consulting a variety of NPOs, amongst those most prominently the Free Welfare Associations, the German Anti Poverty Conference, the Federal Network Help for the Homeless and the German Women's Council Association for Single Parents.