Social cooperatives and empowerment: assessing the value-added for the citizen consumer

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Summary

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1. Introduction

In the mid 1990s, the European Union placed the third sector at the center of its efforts to reinvigorate contemporary European welfare states. In 1997 the European Commission declared the development of nonprofits within the social economy to be critical not only for the creation of innovative, professional services but also the development of future social policies (European Commission, 1997 - a role that was further promoted by the Commissions' subsequent emphasis on their contribution to fostering social cohesion, inclusion and democracy (Kinnock, Prodi, 2000). Combined with pervasive bottom up pressure aimed at enhancing the flexibility and accountability of public administration, these efforts established the blueprint for a substantial metamorphosis of social enterprises in recent years.

As national governments have busily begun to formulate legislation establishing the legal parameters of social enterprises, the relative lack of information on the social aspects of social enterprise is noteworthy. Despite frequent references to a somewhat vague social value-added, empirical research on social enterprises has

focused almost exclusively on their economic and managerial properties, a development which in light of a vague suspicion that they are being evoked instrumentally as a tool for creating a "[…] political, social, and intellectual climate in which change comes to be seen as desirable on a wider scale." (European Commission, 1997), has generated considerable skepticism as to their legitimacy. Against this background, greater attention has been paid in recent years to the ways in which social enterprises influence the formation and accumulation of social capital (Evers, 2001; Svendson, Svendson, 2005; Gonzales, 2006). There continues, however, to be a considerable lack of both conceptual and empirical work focusing specifically on social enterprises impact on service beneficiaries, and more specifically service users.

This article focuses on the potential value added of social enterprises as agents of user empowerment in the Italian context. This conceptual and analytic focus on user empowerment is particularly relevant for several reasons. First, old and new pressures associated with state overload, globalization, and increasing social and political fragmentation has generated a pervasive "recalibration" of European welfare states (Ferrera, Hemerijck, 2003). In Italy, this process culminated in 2000 with the massive reorganization of the social assistance system (324/2000), a development which substantially increased the Italian third sectors' competency in the production, management, and delivery of social services; legitimized its role as a partner in planning and policy development; and for the first time, established a national framework for the consolidation of social markets. While emphasizing issues of flexibility, economic efficiency, and cost effectiveness, the marketization of social services has also magnified concerns about the adverse effects of these developments on a wide range of constituencies, but particularly poor and vulnerable populations.

A second key development which calls attention to greater need for understanding user empowerment is the recent emphasis on participation as a key juridical feature distinguishing social enterprises from other forms of Italian third sector organizations. Though primarily responsible for the production and delivery of human services, such as care giving and job training, social enterprises' unique managerial capacity, democratic internal

structure, and emerging role as critical intermediaries between diverse community members, have typically been identified as key components of their comparative value added (Borzaga, Defourny, 2001; Evers, Laville, 2004). Yet, until recently, no overarching legal framework has existed to delineate these organizations juridically. With the recent promulgation of law 118/2005 (completed by governmental degree d.lgs.155/2006), this situation has changed. In what can be broadly conceived as an attempt to counterbalance the opening up of social services to contracting and the sanctioning of new opportunities for economic advantages as well as exploitation, this new legal and regulatory framework delineates social benefit criteria which compels specific attention to service users. In addition to generating a regulatory structure and mandating particular forms of accountability, such as the creation of social budgets, it obliges social enterprises to incorporate the structural participation of workers as well as service users. While placing particular emphasis on user accountability and relying largely on future policy measures to flesh out a rather vague commitment to encouraging and enforcing social goods, the establishment of a general framework for social enterprises has been critical for establishing the basis of a broader dialog concerning the nature and purpose of social enterprises' commitment to users not only as clients but also as civic stakeholders.

A third factor propelling greater focus on user empowerment involves the development of social discourses highlighting the changing character of social need, and thus the desirability and effectiveness of initiatives aimed at activating citizenship and promoting social inclusion. While the hybrid nature of social enterprises gives them particular salience in the fight against social inclusion by providing a vehicle for tying economic objectives to social goals (Evers, Laville, 2004; Gonzales, 2006), the fact that social enterprises have developed in tandem with a pervasive disinvestment in social and economic benefits embraced in the construction of the post-war welfare state, makes them particularly vulnerable to criticism. Of particular relevance, is the idea that they have contributed to a "disorganized welfare mix", which both undermines equity and solidarity commitments and thus has largely negative implications for citizens (Bode, 2006; Ferraro, 2003). This

focus on the changing relations between the market, state and society and the implication these changes have for the nature of risk, calls attention to the need for more sophisticated conceptualizations of both social enterprises' organizational capacity as well as their social benefits defined not only in terms of their contribution to individual clients, but broader groups of social citizens as well.

In light of these developments, my paper makes four key contributions to the literature on social enterprises. First, I establish a conceptual framework for analyzing user empowerment among social enterprises which are involved in producing services that enhance the quality of life of marginalized citizens. Second, I develop an empirical model which connects two key functions of these social enterprises, *social production* and *social mobilization*, to two forms of empowerment critical to the fight against social exclusion: *consumer* empowerment and *civic* empowerment. I then turn to an empirical analysis of Italian social cooperatives in *Emilia Romagna* and *Lombardia*. On the basis of survey and interview data collected in 2001 from over 140 type A social cooperatives and their affiliated cooperative consortia and cooperative associations, I present descriptive statistics of user empowerment, discuss key factors influencing this capacity, and in light of relatively poor performance overall, provide suggestions for improving their capacity in the future. [1]

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[1] The social enterprise legislation (118/2005), completed by the governmental decree in 2006 (d.lgs .155/2006) signifies the agglomeration of various juridical forms, previously established and regulated according to distinctive laws, into a comprehensive framework. As a result, social cooperatives, previously considered synonymous with the Italian version of the social enterprise, are now but one instance of a much broader phenomenon. While this presents obvious problems in generalizing to social enterprises writ large, I am particularly interested in those entities that are involved in social services aimed at marginalized welfare constituencies, a sector in which social cooperatives are historically consolidated. Of the two main types of social cooperatives, Type A social co-operatives deal explicitly with social assistance. For the sake of focusing on marginalized service users, my analysis is limited to type A social cooperatives which excludes those registered as operating exclusively within the field of either childcare or homecare for the elderly.

2. Establishing an analytic framework: social enterprises, social inclusion, and empowerment

While the economic literature frequently associates the development of social enterprises with the externalization of service delivery, and thus the contracting out of public administration, (Carra, 2006), from a more sociological perspective, these organizations can be viewed as the byproduct of a broader historic transition from welfare states to welfare networks (Gonzales, 2007). As globalization and post-industrial pressures associated with technological and demographic shifts have changed the productive infrastructure of national economies, new values, identities and ideological commitments have shifted dominant perceptions of social need. The result of this dual transition, the state's role as the dominant organizing infrastructure of social welfare systems has been substantially undermined (Jessop, 1994; Giddens, 1998; Gilbert, 2004). The ensuing blurring of boundaries between state, society and economy has created an environment conducive to increasingly complex social welfare networks comprised of a mélange of actors including social enterprises (Evers, 1995; Evers, 2004). Blending social, economic and cultural functions typically associated with distinct organizational categories (i.e. mutuals, private firms, and grass roots civil society organizations), social enterprises hybridity can be seen as a unique institutional mutation which in a Darwinian sense allows them to thrive in the current environment of fast paced and continual change.

While much attention has been given to the contribution of social enterprises to the development of a new and improved "stakeholder economy" as mentioned in above, much less attention has been paid to their role in shaping emerging social networks in such a way that alleviates the paradoxical tendency of welfare marketization to produce more bureaucratic and authoritarian social practices, without the beneficiaries of such reformed services being given any greater dignity, responsibility or citizenship rights (Ferraro, 2003). Focusing on social enterprises' as a potential weapon in the fight against social exclusion provides a key means of assessing their capacity to compensate for the adverse effects of eroding social protections and the "commodification" of welfare -

thus improving our understanding of the depth of social enterprises' social contribution.

Understanding social marginalization as a form of alienation involving the inability to assert a claim to membership (Wong, 1998) draws attention to the every day lives of marginalized segments of society. Within the context of an Italian welfare state traditionally characterized by high levels of residualism and selectivity (Ferrera, 1996; Fargion, 1998), social service beneficiaries have tended to be alienated from mainstream social, economic and cultural institutions. As a result, the common conceptualization of social inclusion as a form of social cohesion is problematic because it minimizes the reality of significant structural inequalities and status differentials that exist between marginalized service users and other citizens. Because efforts to combat atomization and alienation based solely on fostering social bonds among citizens frequently end up promoting rather than eroding traditional hierarchies and inequalities by punishing "deviance" and promoting stability over change, for marginalized service beneficiaries, social inclusion is more effectively gained through empowerment, understood as the enabling of individuals or groups of individuals to develop competencies or capabilities which allow them to overcome impediments to self actualization and thus social action.

As predominately service-based institutions, social enterprises offer two basic modes of empowering users: consumer empowerment and civic empowerment. *Consumer empowerment* relates to social enterprises' *social production* function. It signifies the ability to foster service users' personal autonomy and individual competency by reducing key informational and institutional barriers to social inclusion. Within the context of developing social markets, understood as a process by which local public administrators purchase and/or finance services from either private or nonprofit entities which organize, manage and deliver them, there is considerable debate concerning their implication for citizen consumers. Whereas some commentators underscore the potential role of social markets to promote a wider variety of services to cater to a more and increasingly diverse cultural, social and economic needs (Savas, 1987; Le Grand, Bartlett, 1993), other commentators see the introduction of market mechanisms as

impeding the impetus of government to uphold citizens rights and guarantee the overall social mission of services, thus encouraging a stigmatizing approach to users while exacerbating gaps in an already threadbare social safety net (Ferraro, 2003; Graefe, 2005; Bode, 2006). While the specific effects of social markets on consumers depend substantially on the structural and cultural fields in which social markets are constructed as well as the regulatory regimes in which economic and social actors are embedded (Bifuco, Vitale, 2004; Fazzi, 2006), these governance factors are intermediated by a variety of organizational and social processes critical to understanding consumer empowerment. In light of claims that the experience of social cooperatives have unequivocally demonstrated that social enterprises can substantially modify the supply of welfare services to the advantage of citizens (Borzaga, Scalvini, 2006, p. 18), it is critical to recognize that social enterprises cater to a wide variety of citizens, many of whom are considerably marginalized form the wider communities in which they live[2] Thus, a key potential value added of social enterprises involved in social assistance lies in their ability to enhance service production in a way that promotes marginalized citizens' personal autonomy as well as their competence as active consumers.

The second mechanism for empowering users relates to social enterprises' *social mobilization* function. Whereas the social production dimension highlights the supply side of service provision and the capacity to empower users as consumers, social mobilization taps the ability to restructure demand within welfare networks by empowering marginalized service users as a collective group of disadvantaged citizens. In this way, *civic empowerment*, captures a much thicker understanding of social benefits understood as users' ability to challenge underlying norms and rules of engagement that typically lead inequities and injustices to

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[2] It is also important to keep in mind that benefits to marginalized service beneficiaries can be consistent with the simultaneous erosion of citizenship rights and thus the undermining of alternative, perhaps more promising efforts for enhancing social inclusion. Thus, while the internal dynamics of service contracting may yield important benefits for citizen consumers, it is critical to also look at the system of contracting itself as a potential source of marginalization on a broader scale.

have a taken for granted quality. Thus, it signifies the ability of social enterprises to overcome key cultural and psychological barriers to social inclusion, such as stigmatization, alienation, and lack self esteem. By connecting social enterprises to social inclusion vis-à-vis the mobilization of populations frequently excluded and/or isolated within stigmatized welfare environments, civic empowerment captures social enterprises capacity to serve as institutional catalysts for challenging a pervasive cultural of estrangement between marginalized welfare claimants and the broader community by harnessing collective dissatisfaction and/or facilitating the civic and political engagement of particularly vulnerable risk groups.

Figure 1 - Conceptual diagram of social enterprises' capacity to foster social inclusion
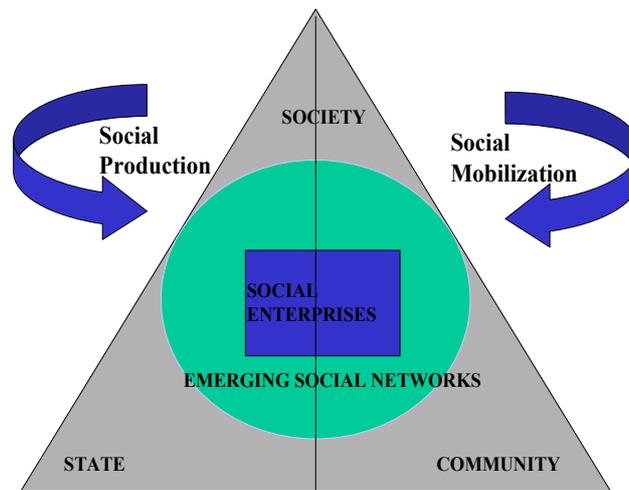
Combining both the social production and social mobilization dimensions of social enterprises within a single conceptual framework allows for an assessment of both thin, consumer-centered understandings of empowerment and thicker, citizen-focused concerns for the wellbeing of societies' most vulnerable populations. Because these modes of empowerment are typically treated as distinctive paradigms, this conceptualization of social enterprises' "social" value-added is particularly useful in generating a broader dialog about the capacity of social enterprises

to function as progressive forces of social change within the confines of emerging social markets. Having located social enterprises within the conceptual property space defined by their contribution to social inclusion, I turn now to a more detailed description of the empirical model connecting organizational capacity to user empowerment.

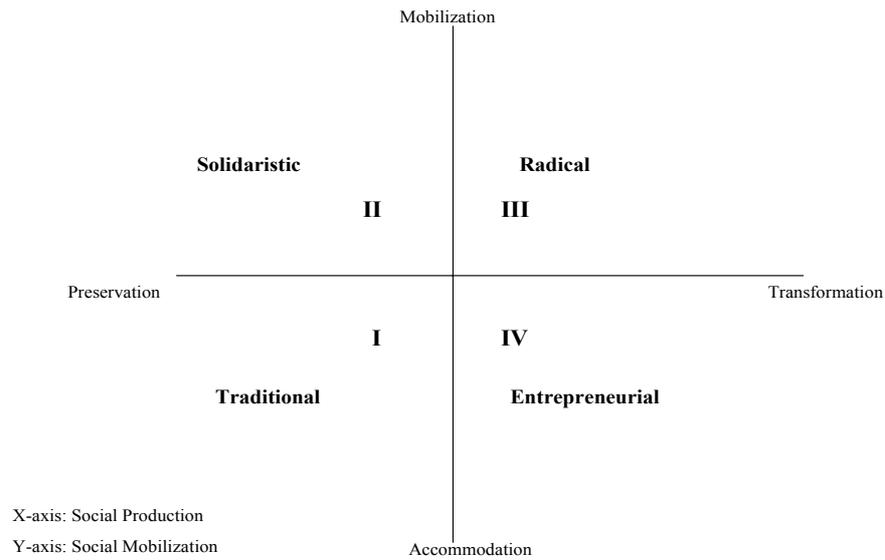## 3. Social enterprises and empowerment: an empirical model

As discussed above, assessing both the social production and social mobilization dimensions of organizational capacity is critical for generating a more complete picture of the potentially innovative role of social enterprises in reconfiguring the dominant "service-market paradigm" (Osborne, 1998) toward one that signals the creation of more inclusive welfare networks. As diagramed in figure 2, the X axis represents the social production dimension and thus the ability of social enterprises to foster *consumer empowerment* while the Y axis represents the social mobilization dimension of institutional capacity, and thus their capacity for generating *civic empowerment*. The former runs from *preservation*, signifying a perpetuation of the status quo with regards to the traditional model of service provision in Italy (i.e. low visibility of users and generalized services for an undifferentiated client base), to *transformation*, which represents a high level of diversification and customization of services, and thus greater capacity to foster social inclusion. The latter runs from *accommodation*, and thus continuity with the status quo which entails social enterprises mirroring broader structural and institutional inequities within society, to mobilization, which involves social inclusion vis-à-vis high levels of user participation and advocacy. Together these two axes of social inclusion represent a range of capacities for fostering social inclusion, each of which map onto four distinctive institutional models:
1. *traditional* institutions (Quadrant I) score low on both social production and social mobilization. Signifying a lack of capacity for either civic or consumer empowerment, social enterprises that fall within this Preservation-Accommodation nexus tend to regenerate the traditional charity-based model of

social provision typical of many voluntary organisations within Ital;

2. *soldaristic* institutions (Quadrant II) represent a strong capacity for *civic empowerment* yet a weak capacity for consumer empowerment. By supporting users and their families and fostering civic empowerment, these social enterprises represent the capacity for creating greater mutual recognition and solidarity between stakeholders but not necessarily enhancing marginalized people's autonomy and competency in service provision;

3. *radical* institutions (Quadrant III) represent vehicles for developing a broader social movement around social inclusion by combining a strong capacity for fostering consumer empowerment with a strong capacity for fostering civic empowerment. In so doing they help to expand the scope of marginalized citizens' autonomy while diminishing the relevance of the market in determining their quality of life. Thus, with respect to the traditional role of social service provision within Italy, they represent a *radical* alternative to the status quo;

4. *entrepreneurial* institutions (Quadrant IV), by contrast, exhibit a strong capacity to mobilize users as consumers, but a weak capacity to foster civic empowerment. This mixed performance indicates the ability of social co-operatives to play a significant role in the consolidation of more user-friendly service arrangements within emerging social markets - not unlike third sector organisations in liberal welfare states - but less effectiveness in improving the status of marginalized service users as social citizens.

Figure 2 - Typology of institutional capacity to fostering social inclusion

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                          Mobilization
                               |
                               |
                               |
            Solidaristic       |      Radical
                               |
                II             |      III
                               |
    _____|_____
    Preservation               |               Transformation
                               |
                I              |      IV
                               |
            Traditional        |      Entrepreneurial
                               |
                               |
                               |
    X-axis: Social Production  |
    Y-axis: Social Mobilization |  Accommodation
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To evaluate social enterprises' capacity to generate consumer
empowerment in a systematic way, I propose two primary
constructs related to the character of social production, more
specifically its breadth and scope. A major factor of success in the
provision of social services is the capacity to accommodate a wide
range of needs by mixing services in ways that foster greater
competence among service users in utilizing institutional resources,
thus easing service users' integration into society and minimizing
their risk of exclusion over the long term (Ranci, Lembi, Costa,
2000). This aspect of social production is particularly relevant to
Italy and other Southern European welfare systems which tend to
generate a narrow range of highly particularistic services for
relatively small numbers of people on the basis of a highly
restricted definition of need (Ferrera, 1996). Because social
enterprises are often the primary intermediaries between
marginalized welfare claimants and the social service system, the
more diversified social enterprises services the better they are able
to accommodate the multi-dimensionality of user needs and
demands. Moreover, highly diversified services enhance individual
consumers' ability to draw on a variety of different tools and
resources to successfully participate and integrate into new social

and institutional contexts after their direct interaction with the social enterprise has ended. [3]

Customization is a more complex indicator which refers to the programmatic aspects of non-standardized services and the extent to which they "wrap around" the individual service beneficiary. In empirical studies of social services, non-residential services are often used as a proxy for customization because they tend to offer more individualized programming. However, assuming intrinsic differences between services poses validity problems because service type and program activity do not often match up. For example, residential facilities for the self-sufficient elderly often provide much more personalized care than domestic care services even though the former are residential and the latter non-residential. Because the capacity of service organizations to fulfill user needs depends on the character of those needs, it makes little sense to consider service types without first considering the user base and the programmatic basis of services. In order to capture differences in degree as well as in kind, I evaluate customization of co-operative services based on the range of activities/programs offered which are designed to improve the quality of life of individual service users. [4]

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[3] In my empirical analysis I measure service diversity as an eight item list of service types broad enough to take into account a variety of social needs, yet narrow enough to distinguish one from another. These included different kinds of residential care (community apartments, rest homes, temporary shelters, etc.), as well as home care, various kinds of day centers and territorial centers - the latter are distinct from day centers in that they are not fixed in one location nor available on a constant basis. I ask respondents to indicate which service choices were offered on a consistent basis during the previous year.

[4] I measure customization as a composite index of eight types of programs/activities offered to co-operatives' primary user group. These social programs/activities were pre-selected on the basis of their contribution to enhancing the quality of life of service users. Incorporating a more holistic view of service users' social needs and concerns, these programs and activities indicate a level of service quality that extends beyond "standardized services" aimed at fulfilling basic needs. To ensure that these activities/programs reflect the particular needs and concerns of users, I generated a separate list of programs/activities relevant to specific, marginalized populations covered in my study (the elderly, the disabled, immigrants, people recovering from drug dependency). The following is the list of social activities generated for disabled users: 1) psychological support/counseling; 2) accompaniment (i.e. errands,

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

Advocacy, the second key indicator of social mobilization, involves representing service beneficiaries' collective interests outside of social enterprises, thereby contributing to civic empowerment by facilitating a greater capacity to acquire benefits and compete more effectively for resources. The ability to promote issues and concerns affecting disadvantaged people is an important component of social mobilization because social enterprises are often the primary institutional interface between marginalized service users as claimants of social rights on the one hand, and public administrators and the "median voter" on the other. Thus, whereas it is possible to view social enterprises' service function as that of privatizing user needs and interests (de Leonardis, 1998), the advocacy function can be viewed as a means of gauging the visibility and salience of otherwise marginalized service users' vis-

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social outings); 3) physical therapy; 4) development of specialized skills; 5) job search/placement; 6) legal assistance; 7) eliminating architectonic barriers; 8) education projects/scholastic integration.

à-vis the public arena. Advocacy helps to make public and explicit the issues and concerns of disadvantaged citizens. By raising awareness of common problems and concerns that would otherwise go unnoticed, such as social inequalities and injustices, advocacy generates the social basis of what are often misconstrued seen as individual problems. Consequently, in evaluating this component of civic empowerment, it is important to look at the particular types of activity undertaken as well as whether social enterprises are sensitive to and/or supportive of this role more generally.[5]

On the basis of this empirical framework, I now turn to an analysis of user empowerment among social cooperatives in *Lombardia* and *Emilia Romagna*.[6]

## 4. Evaluating empowerment among italian social cooperatives in *Lombardia* and *Emilia Romagna*[7]

[5] To measure advocacy I assess the frequency of specific forms of collective action (i.e. petition drives, rallies, participation in community forums, etc.) as well as the intensity of goals and objectives of social cooperatives as they relate to promoting more collective, less mechanical ways of thinking of service users, such as demonstrating a commitment to protecting and promoting welfare claimants rights' to self determination and/or diminishing their differential status vis-à-vis other citizens.

[6] Given well known socio-economic disparities, particularly between the north and the south of Italy, the performance of social co-operatives in *Lombardia* and *Emilia Romagna* is by no means representative of Italian social co-operatives as a whole. These regions are important however, in that they provide a particularly fertile environment for social enterprises to thrive. Excluding Italy's five autonomous regions, *Lombardia* and *Emilia Romagna* are among the most economically developed, have among the most efficient local public administrative systems and among the strongest legacies of social capital in Italy. These factors suggest that social co-operatives in *Lombardia* and *Emilia Romagna* are most likely to represent best practices among Italian social co-operatives and thus user empowerment, if it is likely to thrive among social cooperatives, is likely to foster user empowerment.

[7] The data I utilize in the following section gathered primarily from an in-person survey I developed and delivered to a stratified random sample of 140 type A social co-operative presidents and directors in four provinces in *Lombardia* (*Milan, Brescia, Lecco* and *Cremona*) and four provinces in *Emilia Romagna* (*Bologna, Reggio Emilia, Parma* and *Ferrara)*, from January-December 2001. I utilized the survey as a means of soliciting information about social co-operative service activity, management, organization and philosophy as well as attitudes

My investigation of social co-operatives in *Lombardia* and *Emilia Romagna* cautions against promoting social enterprises as vehicles of empowerment. Of the social cooperatives surveyed, 52% can be categorized as traditional, 9% as radical and 9% as solidaristic. While a significant minority of social cooperatives, 30%, can be considered entrepreneurial, and thus capable of nurturing consumer empowerment as a key value-added, as a whole it would appear that social co-operatives play an extremely modest role in facilitating social inclusion.

Figure 3 - Property space defined by social efficacy: distribution of social co-operatives by region (ER=*Emilia Romagna* and L=*Lombardia*).
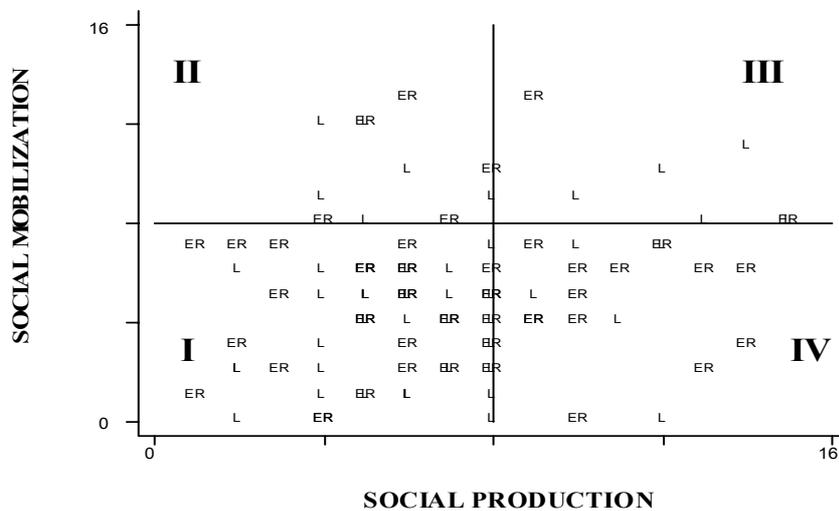
and opinions regarding the analytically derived understandings of concepts elaborated in the previous sections. Additionally, my analysis draws on a variety of other sources including primary documentation of co-operative histories and programs and in-depth interviews with co-operative personnel, academics and co-operative association officials. With regard to the latter, I conducted 31 interviews with provincial, regional, and national level representatives of *Lega* and *Confcooperative-Federsolidarietà*.

Focusing on regional distinctions, what is particularly striking is the fact that social co-operatives capacity to foster user empowerment appears so similar. Although *Lombardia* and *Emilia Romagna* are among those regions most likely to foster empowerment, 55% of social co-operatives in *Lombardia* and 45% of social co-operatives in *Emilia Romagna* appear to replicate traditional models of social service provision.[8] The fact that social co-operatives in *Emilia Romagna*, a region which has cultivated a partnership model of governance and has placed particularly strong emphasis, both materially and rhetorically on social provision, score only slightly higher on each dimension (7.7 for consumer empowerment and 5.4 for civic empowerment) than social cooperatives in *Lombardia* (6.8 for consumer empowerment and 4.9 for civic empowerment), a region with strong political cultural divisions which has embarked on a rapid privatization of the social service system (Fargion, 1998; Bifulco, Vitale, 2004), points to the relevance of broader social and economic trends such as the rise of competitive contracting, chronic under funding and cooperative culture in shaping social enterprises social character.

Looking more closely at civic empowerment among social cooperatives as a whole reveals a pervasive inability to serve as an institutional catalyst for challenging norms and practices which perpetuate, if not exacerbate, social exclusion at the local level.[9] Of the 14% of co-operatives that indicated that they undertook three or more of the types of advocacy activities, most were not activities undertaken systematically. Even for those activities that appeared to be most prevalent, filing complaints/requesting action and formal participation in public assemblies, less than 10% of social co-operatives reported that they engaged in either of these activities

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[8] Each axis in figure 3 represents a composite score of social efficacy ranging from 0-16, 0 representing absolute 0 and 16 representing the highest score possible. The median score 8, is utilized as the cut off point, separating weak and strong capacity for user empowerment, and thus distinguishing different types of social co-operatives.

[9] Although my primary analysis looks solely at the level of individual social cooperatives, data I gathered from consortia and provincial and regional representatives suggest that these entities do not compensate for individual social cooperatives failure to generate civic empowerment at higher levels of aggregation.

on a regular basis. Thus, to the extent that social co-operatives advocate on behalf of service users, it is focused on defensive tactics stemming from particular grievances related to the organization, involving little to no proactive effort at mobilizing key constituencies. To some extent, the lack of advocacy among social co-operative relates to an overall lack of user participation in both formal and informal decision making. Over 70% of social co-operatives fail to include users among their membership of those that do only a small minority tend to be involved in cooperative governance. Overall, users' input appears to be less relevant, the more weighty the level of decision-making. As indicated in Table I below, in 75% of social co-operatives users never take part in the definition and/or articulation of service/programmatic objectives and in 84% of social co-operatives, they never participate in the definition and/or articulation of the goals and objectives of the co-operative. For the most part, users neither participate in defining the goals of the organization or the distribution of resources and priorities, elements which are critical for creating a sense of collective efficacy.

Table 1 - Involvement of service users in distinctive levels of decision-making

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

Absent proactive efforts to include users in on-going dialog and deliberation most social cooperatives do little to enable marginalized members of their communities to exercise a direct role in determining how problems and solutions are defined or framed, how resources are allocated and who benefits from them. Thus, their opportunity for gaining what Keiffer (1984) describes as "participatory competence," the type of learning by doing which increases understanding and raises consciousness, is significantly suppressed. Given their highly circumscribed role in promoting

civic empowerment - understood as the collective self-assertion of a disadvantaged population - social cooperatives do not constitute a significant challenge to the culturally imposed status rankings that typically serve to limit the choices and opportunities of society's most disadvantaged groups (Rubin, Rubin, 2001; Murie, 2005).

Turning to the social production dimension, social cooperatives appear somewhat more adept at generating consumer empowerment than they do citizen empowerment. Athough there appears to be a high level of variability among social cooperatives, as illustrated by figure three above, a sizeable minority of social cooperatives is able to generate relatively high levels of consumer empowerment. Furthermore, well over half of social cooperatives, 52%, produce a variety of specialized and generalized services (ranging from emergency hotlines and street education to full time residential facilities) for a variety of service targets. While only 18% of social cooperatives appear to reflect the traditional pattern of service provision consisting of non-residential services provided usually to a single category of service users with few if any alternative options for care, about the same proportion of social cooperatives are offering multiple services to a single category of user thus indicating greater attention to the specialized needs of particular types of users. Aside from enabling an expansion of services which facilitate personal autonomy, in over 55% of cooperatives, service users are either frequently or occasionally involved in the realization of specific service interventions. Thus, given the current emphasis on greater accountability to service consumers, it is important to note that even prior to the implementation of legislative decree n. 155/2006 compelling social enterprises to adopt participatory structures for service users, most social cooperatives were furnishing an opportunity for service recipients to participate in shaping the quality of services and programs that impact them most directly.

In spite of these encouraging developments, looking more carefully at the nature of consumer empowerment among social cooperatives reveals a less rosy picture. Among the vast majority of social cooperatives service users continue to be treated as 'dependents' to be assisted rather than service consumers whose voices, views, and capacity for choice are both appreciated and fostered. With the exception of a small minority of social cooperatives that have self

consciously embraced a community development strategy, most cooperatives have not fostered a culture which stresses the rights and responsibilities of consumers. This is evidenced by a pervasive lack of consumer safeguards, despite the fact that by the beginning of the decade, although not yet mandated by national law, a considerable number of social cooperatives had already and/or completed the process of adopting internationally recognized quality certification schemes[10] As of 2001, few social co-operatives had established a formal grievance process or engage users in an open, ongoing dialog about their perspectives on service development. Where mechanisms to gauge consumer opinion, such as questionnaires, were present, they had been introduced largely in reaction to particular problems or issues and had thus served primarily as mechanisms to solicit specific, targeted information rather than as a proactive attempt to involve users in service design or implementation or broader reflections on their well being. Of the 41% of social co-operatives that indicated they had administered questionnaires to users in order to solicit input with regard to user satisfaction, the vast majority had done so extremely infrequently. Thus while users were offered opportunities to express themselves through more informal mechanisms, for the most part, their ability to exercise 'voice' with regard to the quality of their care tended to be confined to personal exchanges with individual staff members. With few exceptions, social cooperatives had not developed the type of stepping stones capable of either integrating users into the organizational culture of the cooperative or community networks outside the co-operative.

5. Toward an explanation of social cooperative performance: the critical role of governance

In line with previous studies that have stressed the importance of external governance structures, I find that social co-operatives'

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[10] In collaboration with *Federsolidarietà*, *CGM*, began its first extensive quality control project in 1998, the first stage of which involved the certification of its 68 consortia and 1,000 individual co-operatives with UNI EN ISO 2001: 2000 (also known as Vision 2000).

capacity to generate user empowerment depends to a large degree on the quality of public governance. While in many ways the continual and ongoing administrative and social reforms that established social markets in Italy during the late 1990s and early 2000s helped to create key conditions for enhancing consumer empowerment by for example, streamlining Italy's complicated, legalistic regulatory apparatus; promoting more inclusive formal and informal mechanisms for generating and implementing policy prerogatives; and establishing quality rating systems, certification procedures, and other tools specifically to enhance service quality; pervasive decentralization and increased recourse to cost controls, overlaid upon long established territorial disparities and sector-based cleavages have largely undermined the ability of social cooperatives to successfully pursue consumer empowerment.

In provinces which enjoy a strong legacy of public-private partnerships, public and civic leaders have made a particular commitment to combating social exclusion, and public and private service networks are more integrated, social co-operatives appear to be in a somewhat better position to pursue consumer empowerment. However, in the absence of these conditions, efforts to create social markets combined with diminishing public revenue and highly circumscribed private and non-profit funding sources have tended to promote a strategic emphasis on organizational and economic efficiency and thus thwart the development of consumer empowerment and other social benefits.

Of the social cooperatives I surveyed, close to 90% reported contracting with public entities, typically municipal governments or local health authorities, for one or more of their services. While in theory competitive bidding can serve as a mechanism for enhancing accountability, in the context of diminishing resources, considerable emphasis on cost savings combined with inadequate mechanisms for monitoring and evaluating outputs, have appeared to both increase government instrumentalism as well as consumer vulnerability. Furthermore, because an extremely high proportion of social cooperatives' total revenue emanates from public funding - nearly 88% in 2000 - yet public funding is extremely circumscribed, cooperative budgets do not generally permit the kind of social investments needed to pursue consistent commitments to consumer empowerment. In *Lombardia* and

Emilia Romagna, among the richest regions in Italy, the average amount of social co-operatives' budgets derived from all combined sources of public funding was only 553,500 EUR.[11] Chronic under funding by public administration is particularly salient due to a historically weak culture of private giving and thus a general lack of alternative sources of funding. In 2000, whereas approximately 60% of co-operatives indicated receiving over 75% of their operating budget from public entities, only 5% of co-operatives reported receiving funding from private sources alone.[12] While recent efforts to develop Italian foundations and enhance fund raising efforts have undoubtedly increased the diversity of funding opportunities available to social cooperatives, in light of the necessity to devote considerable revenue to marketing in the case of fund raising and the relatively limited working capital available from foundations, these sources of funding are unlikely to substantially impact social cooperatives' capacity to foster user empowerment at least in the short term.

Given social co-operative's high level of dependency on the public sector, social cooperatives pervasive inability to promote civic empowerment comes as little surprise. While national and regional reforms related to social assistance place significant emphasis on activating citizenship and fostering social capital, the realities of competitive contracting place considerably more emphasis on organizational and economic efficiency versus less immediate or tangible benefits related to civic empowerment. Add to this an extremely limited operating budget, combined with a plurality of

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[11]Relative to its Northern European counter-parts, Italy invests a comparatively small percentage of its social budget in developing and promoting services. Of an already small portion of public funding designated for social assistance, excluding health expenditures, less than 24% of Italian social assistance spending goes to services (OECD, 2007). While it is difficult to compare figures on public expenditure devoted to non-public social services cross-nationally, the fact that by the mid 1990s, the proportion of public expenditure on social services contracted to nonpublic providers in England had already reached 34% (Gilbert, 2004), illustrates the comparatively low level of similar expenditures in Italy.

[12] This finding is consistent with OECD data indicating a relatively modest amount of voluntary private social expenditure in Italy - 1.9% of GDP in 1995, compared to 17% in the United Kingdom and 4% in Sweden - a country better known for its public assistance than its charitable giving.

stakeholder interests and it becomes clear that social cooperatives face considerable pressure to sacrifice investments in more long term social goals such as advocacy and conscious raising, to pursue more immediate service goals.

This dynamic is further exacerbated in the context of relatively weak ties to community organizations outside of the cooperative movement. While a small minority of social cooperatives have been successful in developing a strategy of community development capable of motivating extensive synergies with other types of organizations, most social cooperatives are most closely connected to other social cooperatives and lack extensive grass roots connections capable of counter balancing users primary identity as service consumers. While innovative management techniques such as the so-called strawberry patch model of development promoted by the national consortium of social solidarity, *Consorzio Gino Mattarelli* (*CGM*), allow social co-operatives to maintain closer community connections by spinning off bigger co-operatives into smaller co-operatives and connecting these co-operatives to one another via a network of consortia (Carbognin, 1999), these consortia tend to represent an additional layer of management which further enhances the position of employee stakeholders and distances marginalized citizens from co-operative governance.

Looking more closely at the effects of quality controls measures developed in the late 1990s and in the aftermath of the 2000 comprehensive social assistance reform, provides additional insight into why social cooperatives have not been particularly effective in enhancing consumer empowerment among social cooperatives. During the mid to late 1990's, both *Lombardia* and *Emilia Romagna* embraced a variety of quality control measures intended, at least in part, to improve user satisfaction. Thus, prior to the 2000 comprehensive social assistance reform both regions had expressly prohibited the awarding of contracts solely on the basis of cost considerations and provided incentives to social cooperatives to undertake accreditation by adopting.

While these and subsequent quality control efforts can be seen as an effort to enhance consumer safeguards, for a variety of reasons they have proven largely ineffective in bolstering user empowerment among social cooperatives. First, in so much as

contract devices and standardized protocols like UNI-EN-ISO favor standardized measures, they are largely inadequate for dealing with the subjective and relational aspects of service production most conducive to enhancing user empowerment. While mandating investment and development plans may be good for communicating information to evaluate economic efficiency, they are considerably less useful in getting organizations to adapt practices that facilitate greater consultation of stakeholders. A second, yet related problem is that because market based quality controls focus on the managerial aspects of service production, they do little to increase the accountability of service providers to vulnerable clients. Developed largely as a signaling device aimed at winning service contracts, they offer little incentive for emphasizing accountability to users over more powerful stakeholders such as public administrators, donors and workers.[13] While in theory, constitutional contracts and other participatory devices can generate greater internal accountability by establishing a transparent and public commitment to users (Sacconi, 2006, p. 54), absent oversight by a third party, there is little assurance that these norms will be given meaningful content or that they will develop into meaningful practices. Finally, because quality control measures have been largely "frontloaded" within contracting regimes and have tended to function as a substitute rather than a complement to service monitoring, they have not provided effective in protecting users rights. Because rights in the form of social guarantees can only be guaranteed by public entities, in the absence of regional or national legislation mandating such a

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[13] Aside from the obvious arguments concerning economic efficiency, public administrators are not inclined to promote greater user accountability vis-à-vis internal governance mechanisms on the basis that they may undermine external control. For their part, contracting agencies are disincentivized from promoting greater accountability to users on the basis that it both threatens the position of other stakeholders and risks increasing conflictual versus consensus governance. Thus, while there has been ample criticism of standardized protocols like UNI-EN-ISO as inadequate tools for promoting service quality, rather than pushing for greater user inclusion, those pushing for reform have focused their efforts on advocating either for sector-based norms to be elaborated by national certification bodies or the development of inter-regional accords to enable a broader, more systematic set of standards.

practice, users have no legal right to hold the organization accountable to its otherwise ethical commitments to them.

While law 118/2005 can be construed as affirming a renewed commitment to the citizen consumer by adopting several promising avenues for increasing consumer empowerment, including the mandating of user participation and social budgets and the establishment of regulatory oversight, the future effectiveness of such measures remain to be seen. Aside from well noted concerns over the laws' one size fits all approach, vague language, and lack of explicit linkages between participation and governance, internal dynamics within government as well as the third sector present significant obstacles in harnessing the current legislation to develop empowerment goals.

Within the public domain, local and regional administrators' growing predilection for combining services into global contracts, a trend which tends to favor service providers who able to demonstrate management capacity, professional development, and an entrepreneurial spirit grounded in the logic of expansion, presents a considerable challenge to social cooperatives interested in pursuing measures aimed at substantially improving user empowerment, particularly civic empowerment.[14] By cutting down on the number of contracts and broadening the scope of each contract, public administrators argue that they are better able to generate greater responsiveness to the multi-dimensionality of user needs, at the same time, minimizing the overhead involved in setting up, administrating, and overseeing multiple contracts for a wide variety of small, specialized providers. Despite the positive effect of global contracting on expanding the scope of services, it generates a key disincentive for pursing consumer empowerment by putting pressure on social enterprises to adopt more vertical management structures, a move which tends to place further

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[14] Although already pervasive in *Lombardia* where there has been a concerted effort to facilitate global contracting through consortia (*Regione Lombardia, Protocollo d'Intesa*, 2000), this practice is likely to be much more pervasive in the aftermath of Directive 2004/18/EC. This directive, which now regulates the coordination of procedures for the award of public service contracts, essentially takes away the prerogative of member states to discriminate against bidders from other member states above a minimum threshold.

emphasis on economic efficiency over deliberation and participatory governance.

An additional factor critical to understanding social cooperatives capacity to empower users is their relationship with the broader cooperative movement. [15] While at both the national and local levels, individual cooperative leaders have played an important role in advocating for developing the role of users, as a whole, cooperative associations and their representatives have little incentive to lobby to transform marginalized service users from passive recipients to active consumers. The central mission of the Italian co-operative movement is to defend and promote the interests of co-operative members and this membership includes users, because so few users are formal members, they have little to no clout independent of other stakeholders. While many co-operative leaders view promoting the interests and needs of co-operative workers as tantamount to pursuing those of service users, efforts to protect and promote the interests of workers can and do often conflict with the goal of facilitating user empowerment, particularly civic empowerment, thus leaving service users in a vulnerable position.

6. Future possibilities for enhancing empowerment

While more work needs to be done to understand the nature of the variation in social cooperatives' capacity to foster user empowerment and how and why specific governance factors influence this variation over time, my findings suggest that social cooperatives contribution to social inclusion, understood as a form of consumer and civic empowerment is considerably limited. As a consequence, my conclusion is oriented toward generating recommendations for improving Italian social co-operative's capacity to promote user empowerment in the future.

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[15] In 2001, over 89% of social co-operatives in *Emilia Romagna* and *Lombardia* were members of either *Lega* or *Confcooperative* - a proportion only marginally higher than the 75% of social cooperatives affiliated with cooperative confederations at the national level.

Civic empowerment

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

Cultivating an ideological commitment to promoting internal and external solidarity

Those social co-operatives that have managed to generate modes of interaction which build social bonds among stakeholders have done so by actively seeking to promote mutual awareness and understanding as part of their core identity. By pursuing what one co-operative director referred to as *reciprocal consciousness*, social co-operatives can cultivate internal mechanisms for developing collective empowerment over time. By generating inter-personal relations which are both intensive enough to allow for mutual learning, yet loose enough to allow stakeholders from different backgrounds to integrate new values and attitudes, co-operative leadership has the potential to create an environment conducive to fostering civic empowerment. Furthermore, by helping to encourage social co-operatives to frame their social mission within the context of broader civic concerns, *CGM* and other social co-operative consortia can play a substantial role in promoting civic empowerment by facilitating greater awareness among different stakeholders of their collective interests in challenging the powerful structural, cultural, and economic forces that perpetuate and/or exacerbate social exclusion.

Extending and strengthening ties to grass roots advocacy groups

Despite a strong commitment to territorial embeddedness, the scope and breath of social co-operatives ties' to their communities are quite limited. Cultivating closer relations with more advocacy-based community groups is a key factor in improving social co-operatives' capacity to generate civic empowerment. This is important not only for providing a support structure independent of service-based networks, but also for creating the kind of synergies necessary for sustaining a long term commitment to social inclusion. In addition to seeking out ties to existing community based groups, social co-operatives can extend advocacy based networks by spinning off grass roots groups among users and their friends and relatives. This not only facilitates greater mutual support to resolve common problems, it can also trigger greater community activism.

Consumer empowerment

As an intermediary between public administrators and local communities, social enterprises are in a unique position to mediate tensions inherent in the process of forming and consolidating social markets. Yet, as previously underscored, whether they do so in ways that enable consumer empowerment depends on the internal and external governance structures in which they are embedded. Keeping this in mind, social co-operatives' ability to promote greater consumer empowerment could be enhanced in several key ways.

Developing public regulatory frameworks that increase user accountability

Local social service networks oriented toward service producers rather than users are pervasive in *Lombardia* and *Emilia Romagna*. In order to catalyze user empowerment, public regulatory structures need to enhance accountability to users, a process which involves recognizing that users' interests cannot be fully represented within individual social co-operatives. At the same time, to the extent that the inclusion of 'social partners' is seen as a substitute for direct

representation, the limited inclusion of social enterprises within cooperative governance structures is limited in its ability to change the structural foundation of exclusion in which marginalized service users are embedded. Within a broader framework of concertation, local officials need to take more proactive steps in providing an autonomous voice for users, for example by going beyond unspecified commitments to regulatory oversight, to guaranteeing an alternative grievance procedure which is extended to service users on the basis of rights claims.

Promoting user-friendly quality control measures

Despite new legislation mandating a structural commitment to user involvement, the formulation, management and verification of prospectively more inclusive measures continue to be dominated by a managerial ethos ill suited to empowering consumers. Because purchase-of-service contracting has shifted much of the onus of service management to social co-operatives and now a broader range of social enterprises as well, representatives of these organizations will need to push more forcefully for a broader definition of social merit, which include key consumer concerns. In much the same way that co-operative leaders pioneered social budgeting, they have the potential to stimulate the development and dissemination of more user-friendly quality controls. For their part, public officials need to take a more active role in monitoring and enforcing contracts in a way that prioritizes accountability to service consumers such as mandating a user bill of rights, as has been adopted within the public health administration. Alternatively, user empowerment could be made more central to the awarding of public contracts. Legislation in *Lombardia* and *Emilia Romagna* currently underscores providers' responsibility to develop instruments for activating and consolidating linkages within their local communities. Similar provisions could be extended to their ability to gauge consumer satisfaction within individual contracts.

Increasing public and private funding streams

Improving social co-operatives capacity to make a meaningful contribution to consumer empowerment will also require

substantial investments of human and material resources. Despite pervasive assumptions of an inverse relation between public resources and empowerment, the two are more complementary than antagonistic. To the extent that public administrators view social enterprises primarily as mechanisms for controlling costs rather than investing in communities, social cooperatives will not be able to shift much needed resources away from immediate needs to more long term goals. As social co-operatives key source of revenue, increases in public funding devoted specifically to developing user capacities, for example by increasing public awareness of social cooperatives as targets of social investment, will be important to developing civic empowerment. Nevertheless, given the fiscal constraints currently facing local governments, further progress will be needed to increase private and non-profit funding streams as well. For their part, cooperative consortia could play a significant, albeit indirect role, by actively cultivating a wider array of funding raising strategies, focusing particularly on those aimed at generating sustainable, community-based revenue.

Much of the innovative character of social enterprises has been attributed to their ability to hold together social and economic functions frequently viewed as conflicting. Grounded in this notion of hybridity, the model of institutional capacity developed in this paper has sought to shed light on the ability of social cooperatives to empower marginalized service users both as consumers and citizens. While my findings suggest that neither their juridical status nor their unique institutional structure make social co-operatives especially conducive to either consumer or civic empowerment, there is considerable variation in the degree to which they are able to contribute to fostering these goals. While I have underscored how various pressures associated with the construction of social markets function to undermine social cooperatives capacity to promote greater social inclusion for marginalized service users, I have also sought to highlight the important ways in which greater user empowerment can be fostered. Moving forward, it will be critical for researchers, policy makers and practitioners to pay closer attention to the ways in which the complex interdependencies that exist between social enterprises and the institutional and cultural environment in which

they develop, impact this important potential value-added for particularly vulnerable citizens.

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