

*The third sector in welfare policies
in Italy: the contradictions of a
protected market**

Abstract

The paper describes how the involvement of non-profit organisations (NPOs) in welfare politics in Italy has historically developed in a mutual accommodation with the state, which has prevented the growth and the public recognition of an independent third sector. Using data from official statistics and recent research on non-profits, three analytical dimensions of the relationship between State and the third sector are considered: the resource exchange; the division of responsibility for delivering public services; and the dynamics of social policy making. The study indicates that distinctive features of the 'welfare mix' in Italy have been: the attribution of public status to many NPOs as a consequence of an arrangement between Church and state; the weakness of state guidance, in spite of the generous economic assistance provided to NPOs by the state; the substitutive role of NPOs in providing basic public services; and the emergence of informal arrangements between public authorities and NPOs mediated by political patronage.

Introduction

Theoretical and empirical studies of non-profit organisations (NPOs) have grown in an era of crisis for the welfare state. The temporal coincidence of two opposite trends — the spread of NPOs providing public services and the retrenchment of state intervention — have suggested the idea of a competition between the public and the private sectors. However, evidence suggests that interdependence between the sectors has been dominant since the foundation of welfare systems and has been growing in recent decades. As many authors have pointed out (Salamon, 1987; Kramer, 1992a), the future challenge of welfare states will be the increasing interdependence between state

on the one hand, and private or non-profit organisations on the other; consequently, the character of the third sector will be increasingly associated with public policies in which NPOs are more and more involved.

Trying to address this new issue, this paper will describe the involvement of NPOs in welfare policies in Italy and argue that such involvement has historically developed in a mutual accommodation with the state, preventing the growth and the formal recognition of an independent third sector.

There is agreement among Italian scholars that the third sector has acquired an increasing relevance in the Italian scenario in the last decade. Many authors have described the tremendous upsurge of voluntary organisations that has taken place since the 1970s (Ascoli, 1992; Pasquinelli, 1993), along with public authorities increasingly tending to finance private providers rather than to expand further the state bureaucracy (Borzaga, 1991). As a result, a dominant idea is that Italian welfare policies are quickly moving toward a new 'mixed' approach characterised by the spreading of contracts and cooperation between the state and the third sector. Although these studies reflect real trends, they put too much emphasis on current changes, not paying much attention to the inertia of the traditional structure of the relationship between state and NPOs. If actors and their behaviours are partially changing, it does not automatically follow that the crystallised structure of their reciprocal interdependence is changing too. Moreover, these studies do not pay much attention to the political dimension of this relationship, and to the still unchanged (and slowly changing) structure of the state/civil society relationship.

To fill these gaps, my analysis is primarily focused on the structure of the state/third sector relationship rather than on its ongoing changes; particularly, the blurring of the boundaries between the sectors suggests abandoning a sector-centred approach (which has been dominant in the research on the third sector in Italy) and focusing on the interplay of the state and the third sector. Second, the variety and complexity of such interplay require going beyond the description of financial and contractual relationships between the sectors and considering also their political and institutional connections. Therefore, the following analysis will stress the polyvalent significance of the third sector, which acts not only as provider of services, but also as an element of social and political integration.

In the pages which follow, I will present a short description of the Italian mix of the public and the private sectors as it has historically developed, to provide the social and political framework where the relationship between state and NPOs have grown. I will then examine on the one hand the role NPOs have traditionally played in the

implementation of welfare policies, and on the other the involvement of NPOs in policy-making. In the next section, I will describe how this order is changing under the pressure of new problems. I will end by evaluating to what extent the Italian case fits some theoretical models of the relationship between the state and the third sector.

The blurring of the public and the third sectors in the historical development of state intervention

In Italy, the third sector has no official recognition as a distinct sector of activities, and non-profit organisations lack the financial, fiscal and administrative instruments which, in other countries, have enabled them to spread and to achieve relative administrative and political independence (Barbetta, 1993). This fact contrasts clamorously with the decisive role that NPOs play in the implementation of public policies, above all in the field of welfare. In many sectors, NPOs constitute a primary resource without which much implementation of public policy would be drastically reduced in volume and effectiveness.

The basic contradiction of the case of Italy consists in there being a very close functional interdependence between the state and the third sector in the absence of effective regulation of this on the part of government. Without overall regulation, there has been a failure to support NPOs on explicit criteria of public utility. This has favoured the growth of a mixed system, with two parallel systems for the supply of services: a state and a third sector with little cooperation and indefinite boundaries between them.

The lack of clarity that pervades most of the relationships between the state and the third sector can be seen as the result of the tension between two opposite directions of state intervention in economic and social fields: the tendency to concentrate civil society initiatives into a legal straitjacket that could be subject to considerable political control on the one hand, and the propensity of political elites to accept dubious arrangements with groups carrying particular interests in order to legitimate themselves on the other. The state-centralising tendency is the cause of the delay with which full recognition has been given to the right to free association, which was granted only in 1947 by the Italian Constitution. It is certainly the result of a legal tradition that is founded on the notion of a close correlation between public interest and responsibility of the state. It is also, however, the result of policy-making long governed by the idea of the state as the most suitable instrument for reducing huge regional differences in wealth and for controlling the vast array of organisations and initiatives promoted by the Church and by labour unions, which benefited from

a tradition of presence and from roots in civil society that are much older than that of state intervention.

This tendency, however, has been strongly opposed by the weak guidance capacity of various political elites that have been in power since the unification of Italy in 1861. Such weakness is related to two aspects of the historical development of the state intervention, which have contributed to make Italy 'a clientelist deviation of the industrial achievement-performance model of welfare state' (Paci, 1989): the presence of the Catholic Church, long averse to the establishment of the state, and the massive influence of political patronage in policy-making.

On the one hand, the strenuous resistance of the Catholic Church to the rise of the state has long prevented political elites from developing stable cooperation with religious organisations providing the major part of social and educational services. Since the occupation of Rome in 1870, the relationship between state and Church has fluctuated from partial delegation of public responsibility to religious institutions to recurrent attempts to diminish the influence of the Church by suppressing religious orders and placing religious organisations within the public sector. However, the ongoing conflict between the Church and the state has not prevented Church hierarchies from making arrangements with state officials to protect both their prerogatives and religious institutions. Political elites, on their side, have always feared the opposition of the Church and its strong cultural influence over civil society. As a result of these reciprocal concerns, Catholic institutions have not only retained substantial autonomy in their management and activities, but some of them have also obtained a quasi-public status granting them both legitimation and a plentiful supply of public funds. Today, religious institutions are the major constituents of the private sector (including both non-profit and for-profit organisations) in almost all industries: they represent 70 per cent of private care institutions, 50 per cent of private hospitals, 58 per cent of vocational training centres, 75 per cent of private elementary schools and 48 per cent of private high schools (see Table 1). Furthermore, religious institutions represent the only non-profit organisations managing hospitals and schools. As a result, in many fields the third sector is better understood as a religious sector; indeed, religious organisations represent approximately 80 per cent of all the third sector service units considered in Table 1.

On the other hand, since the origin of the Italian state, policy-making and public administration have been greatly exposed to political patronage. A number of interest groups have been able to obtain favourable administrative decisions in exchange for their electoral consent or money. The strong exposure of the state to particularistic

interests has been caused by many historical factors, among which are the political weakness of the liberal elite governing the country after its unification, the great extension of the state direct intervention, and the traditional presence in the south of a feudal elite defying the new central authority of the state. Faced with different causes of political instability, new political elites developed relationships with peripheral interest groups in an attempt to obtain their loyalty in exchange for social and political benefits. Therefore, since then a regime of fragmented negotiations between local and central authorities has permeated both the public administration and the political arena, making the intermediation of political patrons the most incisive way to obtain public benefits (Ferrera, 1986; Ascoli, 1987). As a result of these factors, the expansion of state intervention has occurred through the progressive incorporation of private and religious institutions within the state system. The most important consequence has been the tendency, as the field of public interest gradually has widened, to attribute to non-profit organisations pursuing this interest a special legal status that was a mix of public and private.

The clearest example of this mix of public and private is to be seen in the continued existence, with a legal status unchanged now for more than one hundred years, of the IPABs (public assistance and charitable institutions). This formula was devised by Crispi with a law in 1890 to bring together, under one set of legislation, those organisations operating in the field of welfare and education (Barbetta, 1993). According to such law, IPABs were given a quasi-public charter which, though it gave them strong autonomy, required them to submit to public control. The 1948 Italian Constitution left the IPAB status unchanged, and following attempts to clarify its legal position have failed until now.

Another example of the mix is provided by various organisations which, though founded as voluntary associations, have taken on the role of government organisations with huge budgets and privileged status. This is the case, for example, of associations for the handicapped, for the blind, and for the deaf and dumb, which officially represent, by law, these respective categories of invalids. Furthermore, there are other organisations (such as the Red Cross and some environmental organisations) which have obtained the ambiguous legal status of 'private organisation of public interest'. Finally, a far from secondary case concerns the privileged status granted to organisations directly promoted by the Catholic Church. The prevailing orientation of the Italian state, although ferociously contested on various occasions, has been since the Concordat in 1929, to create a privileged status for religious congregations that are recognised and protected by the state.

The granting of a 'mixed' legal status, while on the one hand subjecting organisations, at least in principle, to a regime of particular surveillance on the part of the state,¹ on the other hand it is accompanied by privileges as far as taxes and access to public finance are concerned. State finance for these organisations generally takes the form of special statutory transfers, and control on the part of the state is in fact limited, for the most part, to check that correct bureaucratic procedures have been followed, and to granting the authorisations requested. While they are relatively free, organisations with a special statute have 'automatic' access to government finance without having therefore to compete with other private or non-profit organisations.

The progressive diffusion of specific legal status for different types of organisations would seem to make any chance of creating a unified category of third sector organisations impossible at this moment (Perlmutter, 1991). Indeed, many NPOs providing welfare services do not show at least three features that recently have been advanced as crucial to this concept: private nature, independence from outside entities, and non-partisanship (Salamon and Anheier, 1992). First, a large share of NPOs is not institutionally separate from government, since they have obtained a quasi-public charter that subjects them to a complex set of state authorisations; moreover, owing to their status, such organisations can get public funds that are exclusively assigned to state agencies. Second, many NPOs have their internal governance strongly controlled by public authorities and the Church; for example, public authorities name at least some of the board directors of 75 per cent of the IPABs, and appoint the majority of their directors in 50 per cent of the cases. Finally, most of the non-religious NPOs providing public services have been established and fostered by political parties and must support the candidates and policies of their political sponsors.

In conclusion, the government's reliance on the third sector as a complement of public services has depended on arrangements between Church and state, local and central public authorities, that have preserved the former from strong state control in exchange for its political loyalty. This alliance, although it has strengthened the particularistic influence of political patronage over state authority, has long succeeded in ensuring social stability. In spite of the increasing secularisation of civil society and the growth of economic and social roles of the state, the actual relationship between the state and the third sector is still shaped by this historical legacy.

The role of NPOs in the implementation of welfare policies

Despite the very poorly defined character of the legal standing of NPOs, these are massively involved in achieving the goals of a large number of welfare policies. These policies rarely consider NPOs explicitly as such, but employ various definitions, often vague (using terms such as 'social private' or 'private auxiliary organisations') or restrictive (such as 'voluntary organisations'). Despite this, since they provide for the involvement of these organisations in the implementation of government programmes, such policies have a considerable regulatory effect on the third sector. Another point to be taken into consideration, as we will see later, is that the greater part of the flow of financial resources from the state to NPOs occurs by means of these programmes.

The Italian Constitution expressly appoints the state as responsible for providing all citizens with care, assistance and education. Accordingly, the state takes on the responsibility of supplying basic services in many sectors, such as education, health, social services and vocational training. Many laws concerning individual sectors were enacted during the 1960s and 1970s to specify the tasks and goals of these public policies, allowing for the involvement of private or non-profit providers in their implementation.

The public education system was developed in different stages, through the introduction in 1962 of post-elementary curriculum and the raising of the school leaving age to 14, the establishment of a national system of nursery schools in 1968, and the Vocational Training Act of 1978 that restructured all training programmes into a decentralised and publicly funded system. Although the Constitution expressly appoints the state as responsible for providing all citizens with public schooling, it recognises that 'private individuals and organisations are entitled to establish schools with no financing from the state'; moreover, the state 'must ensure that they are fully independent and that the pupils are treated equally' (art. 33).

The health system shifted towards a public, universal model in the same period. The first step was law 132, enacted in 1968, according to which hospitals managed by IPABs became public agencies and hospitals managed by religious congregations were officially recognised as public hospitals without losing their autonomy and private status. In 1978 a global reform of the health care system was achieved with law 833. The main changes introduced consisted of the extension of the right to health insurance cover to all citizens and the suppression of all existing private health insurance funds. According to law 833, 'the national health system is the responsibility of the state, regions and local authorities, with the participation of citizens' (art. 1). However, although the National Health Service is committed to guaranteeing

public coverage of medical care for all citizens, it is recognised that the state must rely on private providers because of the inadequacy of public services.

As opposed to the education and health fields, the social services field is characterised by much more limited responsibility of the state for responding to social needs. Although the Constitution gives the state responsibility for providing citizens with assistance and welfare, there is a considerable fragmentation of responsibilities and no clear uniform framework of programmes. In fact, there is no law in this sector to serve as a reference indicating the goals and means for public intervention; consequently, financing that is not tied to clear agreed objectives of public policy is encouraged. The limited commitment of the state with respect to the provision of social services has favoured the growth of a wide range of social service institutions managed by non-profit organisations. As we will see below, non-profit organisations dominate in this sector leaving direct public intervention with only a marginal role.

In short, this legislation makes the state clearly responsible for assuring and financing a great number of programmes designed to meet the social needs of the population. Nevertheless, there is recognition that responsibility for the implementation of such programmes is shared with private or non-profit organisations acting in the same fields.

Table 1. The share of public, quasi-governmental, religious and private organisations in the delivery of selected welfare services

<i>Services</i>	<i>Year</i>	<i>Public sector</i>	<i>Quasi-gov't institutions</i>	<i>Relig. institutions</i>	<i>Private or non-profit agencies or NPOs</i>	<i>Total services</i>	<i>Total</i>
Residential care	1988	19	31	35	15	100	4422
Hospitals	1990	60	-	20	20	100	1962
Vocational training	1956	20	-	47	33	100	1394
Nursery schools	1987	64	-	22	14	100	28788
Elementary schools	1987	92	-	6	2	100	27231
High schools	1987	75	-	12	13	100	7668

Data are obtained from official statistics presented by ISTAT (National Institute for Statistics). They refer to the number of service units active in the years recorded.

The resource exchange between state and NPOs

The essential role NPOs play in implementing welfare policies is evident in a number of fields. In the education system, the public sector is clearly dominant, accounting for 64 per cent of nursery schools and for 92 per cent of high schools (see Table 1). The public sector also predominates in the health field, accounting for 81 per cent of total spending and for 60 per cent of total hospital units in 1990 (76 per cent as far as total hospital beds are concerned). However, the state still relies on private or non-profit providers because of the inadequacy of public services: 38 per cent of public finance for health care services goes to private or non-profit providers, and hospitals managed by private or non-profit organisations account for 40 per cent of the country's hospitals (24 per cent of total hospital beds, ranging from 17 per cent in the North to 30 per cent in the South, where public delivery is much lower).

Other industries show a very different pattern. In the vocational training field, the recent establishment of a national state plan has not yet challenged the dominant role of private providers, although a considerable shift of resources has taken place from the third to the public sector. In 1956, non-profit providers (mostly managed by religious or unions-related organisations) accounted for 80 per cent of courses; in 1990 the third sector was still dominant, but represented only 58 per cent of total delivery. In the social services field, the bulk of the assistance system is provided by third sector institutions: public residential institutes account only for 19 per cent of total individual clients, while IPABs account for 31 per cent and non-profit institutes account for 50 per cent. In spite of recent emphasis on community-based services, residential care institutes are still the cornerstone of the Italian social services system, absorbing about 60 per cent of total public spending for social services.

It should be noted in Table 1 that, according to available data obtained from official statistics, there is no distinction between non-profit and profitable organisations; however, recent research on NPOs in Milan shows that non-profit agencies represent 50 per cent of private hospitals and schools, while they are the only private organisations active in the residential care and vocational training fields.

In exchange for their programme delivery capacity, the most important resource that government makes available to NPOs is funds (Saidel, 1989, p.339). In Italy, as well as in many other European countries, the state plays a decisive role in financing the whole welfare system, in which third sector services are included. As Ascoli (1987) has pointed out, Italy shares with other European countries the 'continental pattern' of development of social expenditures, in which

the stress is on the distribution of transfers and subsidies rather than the direct provision of public services. According to Kohl (1981), countries adopting this pattern rely somewhat on the principles of subsidiarity to emphasise that the state will only interfere when the capacity of families and social groups to service their members is exhausted. Therefore, it is predictable that NPOs providing welfare services take a large share of their financial resources from the state. There is no doubt that in Italy the principal funders of the third sector are the state and local public authorities. The historical lack of philanthropic elites undertaking public responsibilities has been only partially replaced by funds provided by the Catholic Church in the form of charity, donations and bequests. We should also notice that up to 1991 the Italian law has allowed only foundations and incorporated associations, representing a minor part of the third sector, to receive tax-deductible donations.

Public funds cover almost completely the expenses sustained by third sector hospitals and vocational training centres. Moreover, the state is forced by a national law to completely cover the costs of the NPOs providing vocational training services, and is the most relevant source of income for IPABs (Ranci and Vanoli, 1994, estimate that the state financing accounts for 44 per cent of IPABs' total income) and religious institutions (according to Ranci and Vanoli, the state covers 33 per cent of their income) providing social services. On the contrary, Italian law explicitly forbids any public financing of private schools.

In short, the third sector represents the dominant sector in fields not covered by strong public intervention, and plays a decisive role in fields already covered by the state. Therefore, the development of state intervention has not reduced but extremely favoured the growth of the third sector, providing it with economic assistance and public legitimisation.

The state regulation of NPOs

The Italian case can be considered as a good example of a 'partnership' between the state and the third sector, in which the state retains the responsibility for assuring universal coverage and for financing, but shares the responsibility of delivery with private or non-profit providers. Being appointed with the burden of guaranteeing a satisfactory level of services, the state would have the legal responsibility of directing and controlling all the agents who provide public services. However, this responsibility turns into a web of capillary administrative procedures allowing strong formal regulation, but weak financial accountability and invalid practical control.

The adoption of control instruments varies greatly from sector to sector, according to the extent of state responsibility and state dependence on private provision. In the education field, public regulation of private schooling is governed by the same logic that attributes a merely supplementary function to it. In order to be able to operate, private schools must in fact obtain authorisation from the state and, if they wish to award qualifications that are equivalent to those awarded by the public schools, they must obtain official recognition. Both these government authorisations are released on the basis of criteria (teacher qualifications, teacher/pupil ratios, availability of adequate space and equipment, teaching of the curriculum) designed to guarantee that private schools provide the same quality of education as that provided by public schools.

However, the strict state control on private and non-profit schools is exceptional; in all the other fields, NPOs held a high degree of autonomy. In health care, hospitals managed by ecclesiastical organisations have obtained a para-governmental status — called 'classification' — that gives them the automatic privilege to be almost entirely funded by public authorities. This 'classification' status allows these hospitals to receive financial treatment that is equal to that received by public hospitals, while they maintain completely autonomous management. The right to finance is automatic once the 'classification' status has been recognised, and does not require any further control by public administration. Access to public finance by other non-profit hospitals occurs by means of the stipulation of contracts. Such contracts are not tied to the maintenance of any particular standards; it is only in the more advanced regions, in Lombardy for example, that contracts are dependent on the formal condition that the level and minimum quality of the health services provided are at least equal to the admissible standards required in equivalent public structures. Once a contract has been stipulated, the only practical connection with public officials is the collection of state funds, without any shared planning.

Other fields show similar patterns. In the field of social services, the irreplaceable nature of the services provided by NPOs makes it very difficult for local authorities to develop effective and incisive public regulation. Excess social demand set against a background of scarcity of existing services and the absence of competition between non-profit providers give the latter a clear advantage when it comes to contractual bargaining. Therefore, no effective control exists to see that non-profit agencies satisfy the requirements that should be met to be entitled to state financing. For example, the main form of public funding of residential institutions is the direct payment of a daily fee for clients recognised as state assisted; this payment is rarely regulated by a contract. In the exceptional cases where contracts are made, they

do not contain any reference to the contents of the services funded, nor do they explicitly guarantee a lasting continuous relationship between parties. Finally, in the vocational training field, although there is very strict public regulation fixing mandatory standards for the courses and the amount of public funds, separate negotiations between public officials and individual non-profit agencies generally manage to get round these rules. The discretionary financial support of the state has established a protected market where non-profit providers avoid competition between each other and enjoy very preferential terms.

In short, state regulation of private or non-profit organisations does not develop into a strong commitment on the part of public authorities in defining selective goals and in obliging private organisations to perform them. On the contrary, it is limited to formal negative control that turns into a fragmented and particularistic regime of economic assistance, allowing private or non-profit providers the autonomy to carry out their own missions.

This fact reflects the historical dominance of a government regulation system based on direct control through strict and uniform rules (Cassese, 1987), mainly aimed at avoiding discretionary actions. This formalism in state regulation has perversely given way to an inefficient and slow bureaucratic administration. Hidden negotiations and irregular administrative procedures have been necessary to overcome the formalistic, inefficient principle of equal treatment for all citizens. Therefore, particularism does not come from lack of regulation, but from excessive regulation, which has paradoxically increased the discretionary power of bureaucrats and politicians who control administrative procedures, and has reduced the possibility of effective controls.

Insufficient state regulation has had two important effects. First, in many fields government authorities have become dependent on the irreplaceable role of NPOs that provide substitute services and are forced to accept most of the contractual conditions they pose. Second, the inefficiency of public regulation has allowed political connections between politicians and leaders of NPOs and the degeneration of many organisations into the domain of individual political parties. Therefore, the considerable state financing of NPOs establishes a mutual dependency between public authorities and third sector organisations. This is characterised by the shift of formal government responsibilities outside the planning and control of the public sector, into a private domain strongly exposed to political party and particularist influences.

The involvement of NPOs in policy-making

The involvement of NPOs in policy-making has occurred above all by means of the political brokerage of the Catholic Church, political parties and labour unions. This brokerage, being offered in exchange for the hierarchical subordination of NPOs to the political-institutional agents that guaranteed their representation in the political arena, has substantially prevented NPOs from playing a politically autonomous role.

The most important role in offering legitimation and protection to NPOs has been played by the Catholic hierarchy. Although the Church has always been opposed to the growing intervention of the state in social life, it has developed arrangements with political elites both to preserve the autonomy and identity of private religious organisations and to give them the financial support of the state. Numerous examples of this can be cited. A particularly important case can be seen in the tenacious opposition of the Catholic hierarchy to the government decree 616/1977 that nationalised IPABs, most of which were managed and controlled by religious institutions. The litigation that followed led to the withdrawal of the proposal to nationalise and to the continued existence of an ambiguous legal position that, as we have seen, for a considerable period allowed these organisations to maintain a privileged position with respect to public finance.

Historically, religious organisations reflect the traditional social rooting of the Catholic Church in Italy. More recently, in a period dominated by strong tendencies towards secularisation, the protection of these organisations has allowed the Catholic hierarchies to maintain a significant social presence that is in any case appreciated by the public. As a consequence, a strong functional alliance has been established between Church hierarchies and religious organisations, allowing the former to legitimate the social role of the Church and the latter to enjoy considerable economic privileges under conditions of substantial autonomy and impunity.

Therefore, instead of being recognised for their fulfilling a public function, religious organisations have been legitimated because of their belonging to a religious confession that in 1929 obtained the status of state religion. Protected by the Church and supported by the state, religious organisations have gained an 'empirical monopoly' in the provision of welfare services: although a formal veto has never been established, the hegemony of the Church has restrained other social organisations from entering into competition with religious organisations for the supply of services. This is demonstrated by the fact that in many sectors clear domination of religious organisations has

emerged, which in two fields — health and education — account for almost the entire presence of the third sector.

As a result, the third sector in Italy cannot be described as an independent and pluralistic sector. On the contrary, a basic character has long been the hierarchical subordination of large numbers of NPOs to a Church that holds the monopoly over the representation of their interests. This function has historically been performed through the action of 'peak associations' closely linked to the Church hierarchy. For example, state funds for religious hospitals are regularly negotiated by the Ministry of Health and ARIS, an association of all religious organisations that run hospitals. In other fields, such as education and social services, the interests of religious institutions are represented at local level through the action of locally based associations and other religious institutions. As opposed to Germany, these peak associations have not obtained a legal public status (Offe, 1981) since they are not established by laws nor could religious NPOs be compelled to associate with them. Nevertheless, their close links with the Church hierarchy and their long-standing relations with complaisant public officials have led to their 'pragmatic' legitimation (Anderson, 1977) as partners in the implementation of welfare policies.

Given the hierarchical, centralised mode of the representation of NPOs in policy-making, NPOs have hardly ever had the recognised right to be independently consulted by government on decisions concerning legislation. NPOs have hardly been involved in political competitions between opposing interests, nor have they acted as representatives of their recipients; their interests have always been protected through the political intermediation of religious and political institutions at local and national level.

The mutual accommodation between public institutions and NPOs has not reached so high a degree of coherence in Italy as it has in other countries. For example, in Germany the concertation between third sector organisations and state has turned into 'a non-competitive, concerted repartition of tasks and competences through permanent bargaining' (Seibel, 1992). On the contrary, in Italy the weakness of the state guidance has produced a fragmented, unplanned system of negotiations. Moreover, the incorporation of many religious institutions into a para-governmental sector has increased the fragmentation of welfare policies. In the absence of strong state regulation, the coordination of programmes between public and non-profit agents has been managed through national and local concertations on particular and fragmented issues. Although not regulated by laws or other formal procedures, cooperation between public officials and NPOs has grown steadily as have their functional interdependence and mutual interest in avoiding conflict and outside interferences. Therefore, welfare policies

have long developed by enhancing the interdependence between public institutions and NPOs, and shaping a loosely coupled network of negotiations defying any centralised guidance (Franz, 1991).

The weakly tied structure of the relationship between the state and NPOs has favoured the strong influence of political patronage over their arrangements. NPOs have been used to obtain consensus in two ways:

- NPOs have been used for the distribution of services and benefits according to a logic that has been defined as 'share-out government', which is to say by strong political control that subordinated the concession of benefits to the delivery of political consensus or other forms of support;
- exploiting the lack of controls enjoyed by many NPOs, these have been used for the collection and distribution of bribes; moreover, the large financial and real estate properties owned by some NPOs have been used for political deals.

Although many parliamentary inquiries have pointed out the distorted use of such NPOs, particularly of IPABs, the consent of both the Church and the state in protecting the autonomy of religious and para-governmental institutions has never allowed any stricter state control.

In conclusion, in Italy the third sector has developed as a hierarchic and concentrated sector, lacking self-legitimation and autonomy. The Church and the state have provided NPOs with the resources and the legitimation necessary to accomplish their public functions. As a result, for a long time NPOs have neither developed any significant political advocacy, nor have they played a significant role in promoting new welfare entitlements. Nevertheless, the involvement of NPOs in decision and implementation processes of welfare policies has not implied any strict control by the state. While NPOs have been given a large administrative autonomy in managing their services, they have strongly been involved in exchanges of favours with politicians, who have used them as vehicles for expanding their political consent. As a result of these particularistic influences, a system of centralised concertations between state and NPOs has never developed in Italy. Rather, their relationships have been characterised by fragmented negotiations and local mutual accommodations, whose stability has long been assured by the historical alliance between the state and the Church.

The new scenery of the 1980s

The historical relationship between the state and NPOs I have described may be considered proper to a traditional system founded on the dominance of conservative institutions over civil society, and on the volatile guidance of the state, strongly controlled by particularistic interests and forced to accept dubious arrangements in order to legitimate itself. Although the possible advance toward a universal welfare system has considerably been obstructed by the permanence of traditional religious institutions providing basic welfare services, it must be considered that their activity has allowed the provision of welfare services to go beyond the limited means of the state. Therefore, grounded on the ambivalent and unstable collaboration between state and Church, the Italian welfare system has grown 'according to an incremental principle, providing specific answers from time to time to different social problems' (Ascoli, 1987, p.118).

During the 1960s and 1970s, many laws contributed to a 'spectacular' expansion of state responsibility in many fields (Ascoli, 1987), such as in health care, education, social assistance and vocational training. As a result, the state augmented enormously its social expenditures, passing from 16.8 per cent of GNP in 1960 to 29.1 per cent in 1981. Although the growth of state intervention did not substantially modify the structure of public/private relationship, a parallel process of general modernisation of Italian society deeply eroded the stability of the coalition of interests that maintained the system of mutual accommodation between NPOs and the state, paving the way for more recent dramatic changes.

It is worth mentioning two processes. First, since the 1970s the third sector has been facing a process of internal differentiation weakening the historical hegemony of the Church, as new organisations have risen autonomously from the Church and have quickly developed into professional agencies (Colozzi and Rossi, 1985; De Ambrogio and Ranci, 1989). The loss of hegemony of the Catholic Church over the third sector has been pointed out by many authors (Perlmutter, 1991; Ascoli, 1992; Pasquinelli, 1993), who have stressed long-term factors (such as the secularisation of civil society and the increasing privatisation of religious beliefs), as well as particular events (such as the rise of social movements in the early 1970s, the defeat of attempts sponsored by the Church to abolish new laws legalising divorce and abortion through popular referendums, and the new treaty between the state and the Church signed in 1983). Although new voluntary associations were given organisational resources by many local religious groups, they refused to be represented by the Church hierarchy and developed a strong sense of independence, strengthened by their commitment

to meet the needs of local communities. Since then, new voluntary organisations have been quick to accept responsibility in addressing many of the new social problems that have appeared in Italy, such as drug addiction, youth deviant behaviour, AIDS, and the recent entrance of immigrants from North Africa and Eastern Europe.

Many studies have showed the rapid growth of these organisations. A 1984 national survey reported that 56 per cent of 3,500 voluntary organisations examined had originated after 1976 (Colozzi and Rossi, 1985); another survey showed that 68 per cent of 600 social service organisations existing in Lombardy in 1988 had been founded since 1976 (De Ambrogio and Ranci, 1989). Although at their beginning these associations adopted an informal style and relied almost completely on volunteers, they quickly developed into professional organisations (Borzaga, 1991). Various developments — such as the growth of non-religious voluntary effort, a greater diversification of the social base, the articulation of activities in an increasingly specialised direction, the weakening of control by religious authorities — testify to the fact that voluntary organisations have been undergoing a process of progressive rationalisation which has coincided with the emergence of a non-paternalistic, secular view of their vocation. Therefore, the growth of these organisations may be the premise for the development of an independent and specialised third sector in Italy.

Then, the 1980s represented a real turning point in the historical evolution of Italian welfare policies. Indeed, the previous trend toward heightened intervention of the state was completely reversed, in an attempt to mitigate the growing inefficiency of public administration and to stop the uncontrolled growth of public deficit. Unable to expand state intervention further, public authorities emphasised the autonomous service-delivery capacity of NPOs and involved them much more in the implementation of government policies. In the place of the traditional grants and subsidies, the economic relationships between public authorities and NPOs have increasingly been regulated through contracts (Kramer, 1992b). New legislation has been enacted to provide some NPOs with legal status and some tax exemptions.

It is difficult to determine how these changes have been affecting the conventional relationship between state and NPOs. According to recent studies, it seems that the Italian welfare system is on the threshold of increasing systematic collaboration between state and NPOs for the implementation of social policies (Ascoli, 1992; Kramer, 1992a). The growth of new organisations has been considered as a challenge for the state to develop a planning capacity, and for traditional organisations to modernise their intervention. However, it is still doubtful whether the progressive involvement of new organisations in public policies will not reproduce the conventional pattern.

The strong dependence of NPOs on public funds is still unchanged. In spite of repeated recalls to moderate expenditure, public funds to NPOs have been increasing in almost all fields during the last decade. Unprecedented public support has been given to NPOs addressing emerging problems, such as drug addiction, AIDS, immigration and terminal illness. According to Pasquinelli (1993), in Milan state funds to NPOs aiding handicapped people have grown by 40 per cent between 1984 and 1988. Although the exacerbated fiscal crisis of the welfare state in the 1980s has led to a reduction of public expenditure (Ascoli, 1992), the role of the state in financing NPOs has not yet weakened, thus sparing NPOs the trouble of competing for more limited resources.

Moreover, in contrast with the conventional funding of NPOs through subsidies and grants, in the last decade there has been a considerable spread of contracting-out. As Kramer has pointed out, currently in Italy 'contracts with NPOs are viewed as a pragmatic way of coping with a governmental freeze on budgets' and constitute 'an idiosyncratic practice adopted for political and other practical reasons' (Kramer, 1992a, p.45). It should also be noted that contracts have never been so precise and restrictive in Italy as they are in other countries. Not only do they lack any detailed specification of contracted services, but also they do not itemise particular performances in fixing the total amount of public funding. Indeed, amounts paid in contracts for similar services fluctuate enormously (up to 21 per cent in services for handicapped people in Milan), without any reference to different skills and obligations of the contracting NPOs. Therefore, the growth of a 'contract culture', if there has been one, has not changed the conventional relationship between state and NPOs. Although it has undoubtedly improved the accountability of NPOs and made their negotiations with public authorities more transparent, until now contracting-out has failed both to develop more competition between NPOs and to enhance the state control. Instead of restoring either 'more market' or 'more state' in the confidential and complaisant arrangements between state and NPOs, contracts have just made the generous state assistance of NPOs more bureaucratic and accountable.

The vigorous state sustenance of NPOs has recently gone with a resolute recognition of their public functions. Clear signals of such tendency are to be seen in the various legislative measures which provided NPOs with legal status and minimal regulation of their relationships with state authorities: IPABs were allowed to assume private status; voluntary organisations and professional cooperatives delivering social services were provided with new legal status allowing them to contract with the state and to benefit from some tax-exemptions (Law 266, 1991 and Law 381, 1991). Nevertheless, these laws still seem

to reproduce the categorical approach that has historically characterised government policies towards the third sector: indeed, a privileged regime is yet again established in favour of particular types of organisation, leaving the large majority of NPOs, though generously funded by the state, with no adequate legal recognition and government regulation.

At the same time, new laws have provided NPOs with more responsibilities than just delivering social services. For example, NPOs have been required to actively contribute to proceedings against young criminals by collecting information and suggesting rehabilitative treatment; moreover, non-profit therapeutic agencies have been forced to enforce judicial sanctions by providing drug addicts with compulsory therapy as an alternative to jail; finally, urgent measures enacted to face the emergency of AIDS have delegated the provision of all the social assistance services to NPOs, without any state support except for finance. Therefore, in the space of a decade, NPOs have undertaken more responsibility than ever before: not only have some of them obtained legal status as state partners in implementation of welfare policies, but their responsibilities have also included cooperation in judicial proceedings, planning of new welfare programmes, and social control of deviant groups.

With the permanent lack of state guidance, official recognition of their public functions and organisational autonomy has actually turned into a wide delegation of state responsibility to NPOs in many sectors of welfare policy. This occurred in an even more clamorous way in those sectors where the state has firmly pushed privatisation policies. Such policies are most clearly manifest in the health field, where a recent law (Decree No. 502, 1992) states that citizens may opt for private health insurance as an alternative to the National Health Service. This law does in fact open up a supplementary market not only for profit-making insurance companies, but also for about 200 NPOs that provide insurance programmes on a mutual basis.

As far involvement of NPOs in policy-making is concerned, in spite of the recent pluralisation of the third sector, the mode of making social policy is still unchanged. The pervasive influence of politicians over administrative procedures allows them to manage economic and organisational resources in a way that is impossible in other countries. Moreover, political patronage has permeated public administration as a way to overcome its formalism and slowness. As a result, the new forms of representation of NPOs interests have been forced to connect with politicians and political parties in order to have access to the formal and informal processes of policy-making. Both at national and local levels, political entanglement among NPOs, political parties and public officials has led to the development of corporate concertations,

grounded on a reciprocal strategy of compromise, which have assured on the one hand the flow of public funds to NPOs, and on the other hand their political loyalty. These concertations have just been established for addressing fragmented, temporary issues, without any concern for long-term planning of social policy.

In the last decade, NPOs have certainly obtained more legitimation and public responsibility than ever before; also, the internal configuration of the third sector has profoundly changed, as new organisations have risen autonomously from the Church and have quickly developed into professional agencies. Nevertheless, although weakened, the traditional structure of the Italian 'welfare mix' — grounded on the state economic support of a system composed of public, religious and para-governmental agencies, and the influence of political patronage on policy-making — has shown a strong institutional inertia. According to Seibel (1992), institutional inertia can be considered inefficient both in economic and functional terms, since it does not adapt to changing environmental forces. In Italy, however, the survival of the traditional order is due to the permanence of a strong coalition of political interests pragmatically disposed to use NPOs for consensual purposes. Therefore, until social policy in Italy is considered an instrument to gain control over civil society through the political exchange of favours and consensus, the third sector will substantially constitute an intermediate, politically dependent vehicle for developing particularistic links between the political elite and its clientele.

Conclusion

The structure of the relationship between the state and the third sector in Italy presents many similarities with what has been observed in other western countries. In Italy too, a close interdependence between the sectors exists, as it is shown by the broad extent to which the state finances NPOs and the considerable responsibility given to NPOs for providing public services. However, my analysis has shown some distinctive features that are rarely found in other countries and are hardly interpreted by the most conventional theories of the relationship between the state and NPOs. In my conclusion I will identify these peculiarities by investigating whether and to what extent they can be explained by three theoretical concepts of the state-NPOs relationship, respectively assimilated to the models of the 'liberal', 'social democratic', and 'corporatist' welfare regimes as they are suggested by Esping-Andersen (1990): the concepts of 'contract welfare' (Demone and Gibelman, 1989), 'shadow state' (Wolch, 1990), and 'private interest government' (Streek and Schmitter, 1985). According to the idea of

'contract welfare', the main responsibility of the state is supporting and enabling the growth of private and third sector agencies, which hold the burden of directly delivering welfare services. NPOs represent a powerful and relatively independent sector, protected and allowed to perform their public functions by legal norms clearly identifying their autonomous status. Public funds are mostly distributed through contracts rewarding efficiency and professionalism without substantially restricting the autonomy of NPOs. This theoretical model, which has been inspired by the USA experience (Kramer, 1987; Gilbert and Gilbert, 1989), does not clearly elucidate the Italian case because of the lack of definite, independent status for NPOs. As we have previously shown, in Italy the third sector still has an uncertain status and is strongly dependent on the legitimation and support of the state and the Church. Consequently, its progressive involvement in social policies has resulted either in its incorporation within the public sector as a para-governmental sector, or in a mutual accommodation favouring the influence of political parties and patronage. In both these cases, the attribution of public functions to NPOs has developed intermediate structures of cooperation inducing symbiotic rather than contractual relationships with the state.

The dependence of NPOs on the state is pointed out by the concept of 'shadow state'. According to Wolch, the shadow state is 'a set of auxiliary agencies constituted separately from the state ... but retaining those functions characteristic of state sub-apparatus' (Wolch, 1990, p.41), whose involvement in welfare policies leads to 'an extended and increasingly diversified pattern of state intervention' (ibid, p.218). The formal transfer of functions from the state to the third sector does not reduce but extends the influence and control of the state over NPOs, progressively transforming them into 'public agents'. According to the 'shadow state' concept, NPOs are vigorously fostered by public funds, but are also subjected to goal displacement, economic dependence on the state, and bureaucratisation of their activities. Therefore, NPOs lose their traditional virtues, such as flexibility, independence, voluntarism, and communitarianism (Smith and Stone, 1988; Lipsky and Smith, 1989). In Italy, NPOs are strongly dependent on public funds and hold the responsibility for the provision of many public services. However, the role of the state in welfare policies has developed through the exchange of resources and favours with non-profit agencies rather than from a commitment to planning their services. Therefore, the mutual accommodation between the state and NPOs has not strengthened state control, but has generated intermediate forms of fragmented, decentralised concertations lacking any guidance on the part of government.

The model of 'private interests government' has deliberately been proposed as a way to designate the increasingly segmented, mutual relationship between state and 'intermediate' associations; i.e. private interest groups accomplishing public functions (Streek and Schmitter, 1985). According to this model, the relationship between the state and NPOs has been shaped by concertations concerning particular, fragmented issues, in which no party consistently holds the dominant position. Although corporatist concertation actually means the fragmentation of state power and involves centrifugal dynamics, the 'private interests government' is grounded on the hierarchical organisation of private and non-profit organisations in 'peak associations', and on their formal integration within public policies. As Streek and Schmitter (1985) explain

the attribution of public status to private groups involves much more than just a right to be consulted by the government on legislation..., it means also sharing in the state's authority to make and enforce binding decisions (Streek and Schmitter, 1985, p.20).

In other words, a successful 'private interests government' would imply a concerted repartition of competencies between state and NPOs and shared values justifying the public relevance of private interests. While these conditions exist in Germany, as Anheier (1992) and Seibel (1992) have shown, they are partially absent in Italy. Distinctive features of the Italian 'welfare mix' have been its lack of central coordination and the strong influence of particular interests over policy-making, which have caused the development of temporary arrangements in the place of an organic, integrated system of shared government.

As a result of this analysis, we can reach the conclusion that the Italian 'welfare mix' does not fit into any of the most common 'regimes' describing the relationship between the state and the third sector in welfare policies. It does not fit the liberal, contractual regime because of the lack of independence of NPOs in respect to the state. It does not fit the social-democratic regime because of the weakness of state guidance and regulation. Finally, it does not fit the corporatist regime because of the lack of shared values and coordination between the state and the third sector. The Italian pattern seems to be characterised by contradictory elements, hardly assimilable to a coherent pattern: a strong functional and economic interdependence between the public and the third sectors lacking any shared coordination, the practical independence of NPOs in the absence of a clear legal profile for the third sector, the increasing attribution of public responsibilities to NPOs and, at the same time, the strong influence of particularistic and clientelist interests over their activities.

Such features may be considered proper to a welfare system grounded on the strong permeability of the state to the influence of particularistic interests. In Italy, the ability of political parties and public administration to transform and mediate social demands has always been lacking. This fact has given rise to a deep fragmentation of public policies, to a weak commitment to public responsibility in administrative decisions, and to public policies having a weak regulative power. Therefore, weakness of state guidance and low autonomy of civil society have favoured the development of a third sector symbiotically bound to the state and easily submitting to particularistic interests. An independent third sector will grow only when its accommodation with the state will break down, and when government will achieve more autonomy from social and political interests which have so deeply affected its activities up to now.

Notes

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- 1 The Crispi Law subjected IPABs to various principles that are typical of the Italian public administration. The most important of these concerns the fact that they must limit themselves to the purpose for which they were formed as stated in the founding statute, unless authorised to change this by the state. Moreover, their very right to exist is arrogated to the state. The powers conferred on the latter range from licensing to authorisation for amalgamation with other IPABs and include revocation of a license and closure of the organisation. IPABs also require government authorisation for the purchase of real estate, for the acceptance of donations and for staff changes; they are subject to inspection as far as observance of the statute and pursuance of their statutory purpose. Even the legal recognition granted to organisations with special status involves state authorisation for changes to the statute and for the acceptance of donations.

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